Austria .. Sch. 20	Indonesia .. Rp 3100	Philippines .. Pes. 20
Bahrain .. Din 0.850	Israel .... IS 3.50	Portugal .. Esc 100
Belgium .. BFr 45	Italy ...... L 1900	S. Arabia .. Rls 8.00
Canada .. C$1.00	Japan Y500	Singapore .. S$ 4.10
Cyprus .. C£0.75	Jordan .... Fils 500	Spain .... Pta 125
Denmark .. Dkr 8.00	Kuwait .... Fils 500	Sri Lanka .. Rup 20
Egypt £E1.50	Lebanon .. £1 25.00	Sweden .. Skr 7.00
Finland .. Fmk 6.50	Luxembourg .. LFr 45	Switzerland SFr 2.20
France .. Fr 6.50	Malaysia .. Rnt 4.25	Taiwan .... NT $65
Germany .. DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece .. Dr 90	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong .. HK$ 12	Netherlands .. Fl 2.75	U.A.E. .... Dh 6.50
India .... Rup. 15	Norway .. Nkr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Wednesday October 29 1986

D 8523 B

Long shadows in Silicon Valley, Page 22

World news

Machel buried with full honours

Mozambique's founding President, Samora Machel, was buried in the Heroes' Monument in Maputo after an emotional funeral attended by fellow southern African leaders and representatives from 80 countries.

A former guerrilla commander who fought Portuguese colonial rule in Mozambique, Mr Machel died 10 days ago in an unexplained air crash.

Mr Marcelino Dos Santos, a leading Politburo member, said in an hour-long speech that Mr Machel was a pillar of the ruling party. "We will deepen the leading role of the party in every place; in every sector. By carrying out your guidelines, we will strengthen our army; we will pass into permanent offensive," he said.

Soldiers wept, and dozens of women, overcome with grief, collapsed in the streets as eulogies to Mr Machel were read out. Page 24

The Mozambique National Resistance said in a statement to a news agency in Lisbon that it was declaring war on Zimbabwe in retaliation for Prime Minister Robert Mugabe's pledge to prevent the right-wing rebels from taking power in Mozambique.

Punjab deaths rise

Sikh extremists shot dead three Hindus during a religious ceremony and killed two priests and a politician in three separate attacks in northern Punjab state. The deaths bought the toll of violence by Sikhs fighting for a separate state in Punjab to 543 this year. Page 5

US targets bombed

Bombs exploded at two US military sites causing extensive damage in Puerto Rico, and eight other devices were defused one day after published reports that the Pentagon may train Nicaraguan Contras in the country.

Belgium buys time

Belgium's centre-right coalition Government avoided a parliamentary vote of confidence, giving itself breathing space to try to mend the language dispute that threatens to unseat it.

Peking-Moscow pact

After two decades of hostility, Moscow has won two major contracts that will once again send Soviet technicians into China.

German official shot

A senior West Berlin civil servant dealing with foreign nationals was shot in the legs near his house. Police said he might have been the target of a political attack. Page 3

Austrian recalled

Austria recalled its ambassador in Israel for consultations amid strains following the election of Kurt Waldheim as Austrian President in June. The former United Nations general secretary is alleged to have been involved in Nazi war crimes. Page 2

Airman held as spy

Alan John Davies, a 33-year-old British-born Californian who served in the US Air Force, has been arrested and charged with spying for the Soviet Union.

Chile exiles return

President Augusto Pinochet has authorised 200 Chilean political exiles to return to the country. Several thousand political opponents were sent into exile after the 1973 military coup.

Superpower radio

The US is trying to arrange Soviet broadcasts from American radio stations in return for similar access to Soviet listeners, the US Information Agency said. Propaganda war, Page 3

Mets win Series

New York Mets beat Boston Red Sox 8-5 in the final game to win baseball's World Series 4-3.

Business summary

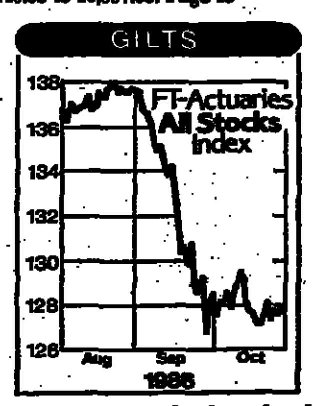
Hitachi, Fujitsu in chip venture

HITACHI and Fujitsu, two of Japan's largest electronics companies, are collaborating on the design of an advanced microprocessor chip with which they aim to challenge the US semiconductor industry's domination of the world microprocessor market. Page 24

WALL STREET: The Dow Jones industrial average closed up 3.65 at 1,845.47. Page 48

LONDON: Gilts were firmer, but equity leaders ended slightly easier and the FT Ordinary index closed 2.2 lower at 1,255.6. Page 48

TOKYO staged a sharp rally although institutional support was lacking. The Nikkei average gained 240.03 to 16,397.83. Page 48



GILTS steadied at the close of trading in London amid optimism about today's tender for the £1bn convertible tap stock issue announced last Friday. The FT-Actuaries All Stocks index registered 127.98, up from Monday's 127.65. Page 44

DOLLAR closed in New York at DM 2.0325; SFr 1.6785; FFr 6.6445 and Y159.00. It fell in London to DM 2.0330 (DM 2.0465); FFr 6.6475 (FFr 6.6875); SFr 1.6765 (SFr 1.6925); Y160.10 (Y160.70). On Bank of England the dollar's index fell from 111.5 to 111.2. Page 41

STERLING closed in New York at $1.4180. It gained 9 cents in London to close at $1.4180. It also rose to Y226.75 (Y226.0) but fell to DM 2.8775 (DM 2.8800); FFr 9.4125 (FFr 9.4100) and SFr 2.3750 (SFr 2.3825). The pound's exchange rate index remained at 67.8. Page 41

GOLD rose $2.00 to $411.75 on the London bullion market. It also rose in Zurich to $410.55 from $409.25. In New York the December Comex gold settlement was $413.90. Page 40.

FRANCE is negotiating a series of arms contracts with Saudi Arabia, the total value of which could amount to $2bn or more. Page 2

BRITAIN will increase pressure on Tokyo Stock Exchange to admit more UK brokerage firms as members if a merger of the London Stock Exchange and the International Securities Regulatory Organisation is approved. Page 25

INDIA approved stock market capital issues in the past seven months valued at Rs 28.7bn ($2.2bn) nearly double the total in the same period last year. Page 27

CHRYSLER, the smallest of the big three US car companies, will launch its new Maserati-built $30,000 luxury sports car next year and is planning to sell at least 10,000 units a year. Page 25

GRUPPO INDUSTRIE Elettro Meccaniche, Genoa plant engineering company which is a 50-50 joint venture between the state and private shareholders, won a L109bn ($71m) contract to supply five hydro-electric plants to Ecuador.

MARKS and Spencer raised interim taxable profits by 13 per cent to £155.5m after strong performances by homeware and clothing divisions. Page 30; Lex, Page 24

TEREX construction equipment businesses in Scotland and the US are to be re-merged under a deal between General Motors and Northwest Engineering of Wisconsin, which aims to buy Terex. Page 25

CUMMINS ENGINE, the US diesel engine manufacturer, is to close its Darlington components operations in the north east of England which employs 500 workers. Page 25

London SE admits Big Bang computer is unable to cope

BY CLIVE WOLMAN AND ALAN CANE IN LONDON

THE London Stock Exchange's computerised price and dealing information system, which is the centrepiece of its new structure, failed yesterday for the second successive day, leading to a chorus of complaints by market-users.

The prospect now is that investors and market-makers will be forced to make do with a stripped-down, skeletal information system over the next few months if a continuous stream of computer failures is to be avoided.

The difficulties have arisen from the serious underestimate by the stock exchange authorities of the demand to see securities prices on Seaq, the Stock Exchange Automated Quotations system. It will be a struggle to keep the computerised system from failing regularly over the next few months until its capacity is increased through costly reprogramming and the purchase of new computers.

On Monday, the stock exchange blamed the failure of the Topic system on a widespread curiosity to see it at work which overloaded the computers. The exchange now admits that Topic is seriously underpowered and a chronically weak link in its overall system. The only way Seaq can now be kept "on the air" is to cut services to customers for the exchange's information systems and other "frills," it says.

Among the services which had to be cut yesterday were the prices from Nasdaq, the North American equivalent of Seaq which provides electronic price information from the North American over-the-counter market, some foreign exchange dealers' prices and many of the systems market-makers use for disseminating their own prices in government "gilt-edged" securities.

The Topic computers were overwhelmed by the flood of prices from Nasdaq, when the US markets opened, and by routine operational work. Topic stopped working at 1pm, leading to the immediate suspension of Seaq.

Stock exchange technicians switched off the price flow from Nasdaq and were able to restore the service from Seaq and Topic by 1.31pm. The exchange immediately held a postmortem and is now devising a strategy to avoid further failures which are badly damaging its reputation for technological competence.

The stock exchange authorities insist that Seaq itself is performing well. When Topic stops, Seaq has to be switched off automatically because otherwise market participants who receive its information over a computer-to-computer link would have a trading advantage over participants dependent on Topic screens.

Measurements made by the stock exchange during trading yesterday indicated that the system was bound to fail, and will continue to fail, unless the frantic remedies now being applied are successful.

Market-makers reacted with frustration to the breakdown and the subsequent cuts in services, with some more badly affected than their competitors. "It is not an acceptable solution when you arbitrarily cut out a service which impacts on some market-makers but not others," said Mr Matt Devereux, the head of management services at Barclays de Zoete Wedd.

The computer failures have also given ammunition to the opponents of the stock exchange's proposed merger with the International Securities Regulatory Organisation, Isro. The two organisations would form a joint exchange, which would rely exclusively on Seaq and on the Topic service, the six-year old system used to disseminate Seaq prices to all market-users.

The relatively smooth performance of the competing, but more limited, computerised price information services provided by Reuter and Telerate has increased doubts about the benefits of the merger among some Isro members. It has convinced others of the need for greater competition. Isro's member firms, mainly multinational financial groups, are voting on the proposed merger today and the stock exchange vote, which requires a 75

Continued on Page 24

Eurotunnel achieves £70m British share placing

BY ANDREW TAYLOR AND PETER RIDDELL IN LONDON

EUROTUNNEL, the Anglo-French Channel tunnel consortium, last night appeared to have reached its £70m British target for its £206m ($295m) international share placing due to be completed this week.

It must now wait to see whether US institutions will come forward with the £20m the consortium is hoping to raise in New York, where Salomon Brothers is handling the issue.

US institutions, discouraged by the sluggish response in the UK, have been waiting to see how the rest of the placing fares before deciding whether to pitch in.

The remainder of the £206m is to be raised in France, where Eurotunnel is confident of meeting its £70m target, and in Japan, where around £26m is due to be raised, with a further £20m to be garnered from the rest of the world. According to the prospectus subscriptions must be paid by 2pm London time today.

The issue ran into problems at the end of last week when it emerged that the UK and US issues were falling short of their targets. By last night it was understood that pledges received by British institutions had made up the £10m shortfall in the UK. If all sums promised materialise today, the British share of the placing could be between £70m and £75m.

Eurotunnel appears to have few doubts that it will achieve its target in France, where several institutions which had been wavering are now expected to support the placing. Among those reconsidering their position is the Caisse des Dépôts et Consignations, the large French financial institution under parliamentary control.

The issue is also thought to be virtually complete in Japan, and it would be surprising if the consortium could not raise £20m from the rest of the world.

The biggest concern remains the US. If Eurotunnel does not meet its target in the US, it hopes to have sufficient margin to make up the difference from elsewhere.

Some British institutions appear to have been persuaded to support the issue following lobbying from the Bank of England, which was informed earlier last week that the British placing was in serious danger of falling short.

Mrs Margaret Thatcher, the British Prime Minister, yesterday categorically ruled out any government money to support the Channel tunnel project if there was insufficient backing from financial institutions.

During Prime Minister's questions in the House of Commons yesterday, she said: "The decision is entirely one for British institutions to take on whether or not they choose to make an investment."

"France and Britain continue to find this an exciting and challenging project and hope it will go ahead. But it is for the investors themselves to make the decision."

Editorial comment, Page 22

Beecham to sell soft drinks interests to Britvic for £120m

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

BEECHAM GROUP of the UK yesterday agreed to sell almost all its soft drinks interests, mostly to Britvic. Beecham will net a total of at least £130m ($182m) and take itself an important step down the road to becoming a specialised health and personal care company.

The disposal also helped the jigsaw pieces of Britain's fragmented £2.5bn drinks industry fall smoothly into place after a year of rigorous shuffling.

The bulk of business will go to Britvic for £120m. Britvic, which will be renamed Britvic Corona on January 1, when the agreement takes effect, is jointly owned by leading brewers Bass, Whitbread and Allied-Lyons.

Cadbury Schweppes is to pay about £10m for Beecham's Coca-Cola bottling interests in northern England, Scotland and Wales, leaving Beecham with a highly profitable residue of health-oriented products including Lucozade and Ribena.

In another crucial move, Pepsi-Cola International is to take a 10 per cent equity stake in Britvic Corona. Its cola and 7Up brands will greatly reinforce the new company's product portfolio.

Bass will retain a 50 per cent controlling stake in Britvic Corona while Allied and Whitbread have each reduced their holdings from 25 to 20 per cent to allow Pepsi's participation.

Cadbury Schweppes and Coca-Cola also chose to announce yesterday that their joint production and marketing venture, announced last Christmas, will be launched on February 2 under the name Coca-Cola Schweppes Beverages. The British company would hold a 51 per cent controlling stake, Mr Dominic Cadbury, chief executive, said yesterday.

The net result will be the emergence in the new year of two powerful groups each controlling about a quarter of the British soft drinks industry.

Pepsi has been looking for a new partner for almost a year since Schweppes, its current bottler, struck the deal with Coca-Cola.

Under the terms of the deal with Britvic, Beecham will be paid about £90m cash plus the benefit of existing debtors, amounting to some £30m. Net book value of the assets to be sold is £47m.

Sales of the drinks brands changing hands last year totalled £115m.

Background, Page 18

Renault to call in US company rescue specialists

By Paul Betts in Paris

THE FRENCH Government has decided to ask a major US management consultant group to conduct a detailed study of Renault, the troubled state-owned French car manufacturer with debts totalling FFr 60bn ($8.97bn).

The consultants chosen are understood to be Booz Allen, the US group which six years ago conducted a major study on Chrysler when the US car manufacturer was deep in crisis. The report subsequently produced by Booz Allen became the basis of the Chrysler rescue plan.

The choice of Booz Allen appears to reflect the French Government's decision to make a major independent appraisal of the situation at Renault similar to that at Chrysler.

Although Renault's overall situation has been improving following the restructuring programme launched by its chairman Mr Georges Besse, the group is still expected to lose about FFr 5bn this year and is weighed down by huge financial charges. Renault lost FFr 10.9bn last year.

Mr Besse has argued that Renault's biggest problem now is its debt burden and that the company needs to restructure its balance sheet. This implies additional support from the French Government, Renault's sole shareholder.

However, the new conservative Government has been reluctant to advance significant fresh support to Renault and has also come under pressure from the rival private Peugeot group not to grant Renault an undue level of aid which would distort competition.

The Government thus appears to have decided to ask Booz Allen to conduct a detailed review of the group to help it decide how to act towards the group and what level of additional financial support to grant it eventually.

The Government yesterday declined to comment on its decision. However, industry and business sources confirmed reports that the Government had decided to turn to a US consultant group leaked yesterday in the "Lettre de l'Expansion," a French business newsletter.

The issue is particularly sensitive and would mark a new departure in the relationship between Government and state industry in France.

Michelin, the leading French tyre maker, is expected to announce today plans to cut 2,222 jobs in its French plants between now and the end of next year. The group, which returned to profit last year after major restructuring, employs 37,000 people in France including 22,000 in Clermont-Ferrand.

Fiat purchase, Page 25

France rules out arms sales to Damascus

BY OUR POLITICAL AND FOREIGN STAFF

PRESIDENT François Mitterrand yesterday ruled out any question of current French arms sales to Syria as the French and West German governments moved to counter criticism of insufficient EEC solidarity over Britain's breaking of relations with Damascus.

Speaking after a two-day summit meeting in Frankfurt, devoted above all to cultural issues between the two governments, Mr Mitterrand spoke out against "improvisation" of an EEC response to the diplomatic crisis between Britain and Syria.

But he said "solidarity" among EEC partners had to take precedence over individual countries' particular links with Middle East states in the overall Community response to allegations that Syria was sponsoring terrorism.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, said Germany gave full support to general EEC efforts to fight terrorism.

In the wake of Monday's meeting of EEC foreign ministers in Luxembourg at which Britain failed to persuade its Community partners to agree on a wide package of measures against Syria – ministers would be convening again on November 10 to decide what further action needed to be taken.

Mrs Margaret Thatcher, Britain's Prime Minister, and Sir Geoffrey Howe, Foreign Secretary, each expressed disappointment yesterday about the inconclusive outcome of Monday's meeting of foreign ministers.

Conservative Party backbenchers and Mr Denis Healey, the Labour Party spokesman on foreign affairs, bitterly attacked the EEC generally, and France in particular, over their attitude. But Sir Geoffrey repeatedly refused to endorse the strong language used by them.

In a televised broadcast at the end of the Franko-German summit, President Mitterrand backed the French conservative Government's cautious position towards Syria by suggesting that concrete evidence of the country's involvement in terrorist acts was necessary before France would consider sanctions against Damascus.

However, he said: "No compromise can be made with terrorism and especially with countries which indulge in terrorism."

Mr Mitterrand urged all 12 EEC countries to produce evidence and information on the subject for the November 10 meeting.

Yesterday's remarks by Mr Mitterrand concur with the position of Mr Jacques Chirac, the conservative Prime Minister, who has so far adopted an extremely cautious attitude towards Syria. This reflects the importance attached by France to its Middle East role as well as the delicate problem of the French hostages held in Lebanon.

Syria is engaged in a concerted campaign to limit the damage done to its international reputation by the Hindawi terrorist plot. Page 24; Editorial comment, Page 22

The Government's attitude towards Damascus is, however, continuing to create strains inside Mr Chirac's own right-wing majority.

Tim Dickson in Brussels writes: The European Commission yesterday announced plans to cut special export subsidies to Syria, in the wake of Monday's bitterly divided meeting of EEC foreign ministers in Luxembourg. Observers in Brussels, however, were last night confused as to the significance of this latest gesture.

Following an undertaking given to ministers by President Jacques Delors and Mr Claude Cheysson, Mediterranean policy Commissioner, late on Monday night, the Commission said that it would be withdrawing so-called special restitutions (or subsidies) paid in some circumstances to EEC grain traders who conclude deals with Syria.

These special payments were introduced directly in response to the US Export Enhancement Programme (EEC) – a series of offers made by the US some months ago to various Middle East and Third World countries – and one paid on top of standing EEC subsidies designed to bridge the gap between the European and world market prices.

Under the EEC, a total of 700,000 tonnes of grain was made available to Syria by the US at attractive prices, but according to American sources in Brussels yesterday, none of this has so far been taken up. The EEC's own measures, "this" available in theory, have therefore never been applied in practice.

A Commission official said last night that the situation was under discussion and that a full statement might be made today.

According to official figures, the EEC has so far this year sold 350,000 tonnes of grain to Syria, compared with 185,000 tonnes in 1985 and 480,000 in 1984. The vast bulk of this is supplied by France.

Sir Geoffrey Howe confirmed yesterday that Britain would block the extension of EEC financial assistance to Syria under an agreement covering a sum of £100m

Continued on Page 24

CONTENTS

Wages and prices attract Gorbachev scrutiny

BY PATRICK COCKBURN IN MOSCOW

SOON AFTER he was elected Soviet leader in 1985, Mr Mikhail Gorbachev went to visit hospital number 53 in Moscow. The chief surgeon there pointed out that he was the only surgeon in the hospital capable of performing complicated operations. For this, he was paid 5 roubles (£5) for each operation, less than his taxi fare home if he missed the bus or metro. Nursing sisters in the same hospital complained they earned only between 60 and 80 roubles a month.

The Politburo did raise medical salaries shortly afterwards from 130 roubles to 200 roubles a month for surgeons and those working in intensive care units. This is still less than most factory workers earn and only just above the average wage of 195 roubles a month.

Lack of wage differentials rewarding skilled or professional workers is increasingly blamed by Soviet economists for the country's low productivity, running at only 55 per cent of US levels in industry and at 25 per cent in agriculture.

Mr Gorbachev's Government is now seeking to reverse the trend towards narrowing differentials by boosting professional salaries and the wages of specialist and skilled workers. Last month it announced an increase in skilled workers' wages of between 30 and 35 per cent.

This should also improve the quality of public services such as health and education, which have suffered because of the pay gap with production workers. In 1940 the difference was only 4.5 per cent, but by 1984 production workers were earning 30 per cent more.

Lack of incentive payments for high productivity also helps explain why two thirds of Soviet workers say they do not work to full capacity, according to a survey cited by Mrs Tamara Zaslavskaya, one of the economic reformers who have come to the fore under Mr Gorbachev.

Another survey shows the impact of poor pay and lack of authority on Soviet management. This revealed that only 9 per cent of managers and 13 per cent of middle management in state and collective farms in Siberia wanted promotion, while 30 per cent of the former and an astonishing 72 per cent of the latter actually wanted demotion because of the lack of rewards.

Writing in the Party monthly journal Kommunist, Mrs Zaslavskaya argues that a combination of greater managerial control over hiring and firing, and increased rewards for managers and skilled workers would solve the labour shortage which impedes progress in the Soviet economy. A decline in the birth rate in the 1960s has meant that the Soviet labour force is no longer growing fast enough to meet the needs of industry.

The article points out that of the 129-strong Soviet labour force," more than 30 per cent of those engaged in industry and 70 per cent of those engaged in agriculture are performing simple manual work." Soviet enterprises hoard physical assets such as labour and raw materials in the same way as a Western company builds up financial reserves.

Looking at the consequences of a more fluid Soviet labour market, Mrs Zaslavskaya says that as better technology is introduced "millions of poorly-qualified workers will be discharged from the production branches."

Another Soviet economist estimates that between 15m and 19m might be affected over the next 15 years, some of whom could be immediately re-employed by factories which want to increase the number of shifts. The Soviet Government often berates ministries for building new plant when existing factories are working only one shift. Greater labour mobility within the country would also allow re-employment.

The increase in differentials and managerial independence is to be accompanied by greater emphasis on labour discipline: Mrs Zaslavskaya acknowledges that high productivity and high rewards are to be found in the private sector and the black market. Both developed strongly under Mr Brezhnev's leadership as output of goods and services by the state failed to keep up with the rise in real incomes.

Some individuals have made fortunes—in the Soviet republic of Latvia on the Baltic, for instance, half of savings bank deposits are held by only 3 per cent of depositors.

The article suggests that some of these profitable private activities be legalised and made subject to a progressive income tax. The top rate of Soviet income tax at the moment is 13 per cent but it is not really used as an instrument of policy.

More controversial than changes in the wages structure are Mrs Zaslavskaya's arguments that these must be accompanied by a new price structure. The price and availability of goods differs greatly across the Soviet Union and has enormous impact on the mobility and distribution of labour.

The timing and form of an overall price change is still being debated but food prices are already going up as more produce is channeled through co-operative shops.

Much of what Mrs Zaslavskaya writes remains theory for the moment. But greater control of individual enterprises over hiring and firing as well as pay differentials clearly crucial to making Soviet enterprises self-supporting and autonomous, as the Government has promised.

Mr Gorbachev at a steelworks . . . production workers have widened their pay differential over service workers to as much as 30 per cent.

Saudis and French 'in $2bn arms deal talks'

FRANCE IS negotiating a series of arms contracts with Saudi Arabia whose total value could involve $2bn (£1.4bn) or more, according to French industrial officials, Paul Betts reports from Paris.

The negotiations are believed to be at the centre of the official visit to Paris this week of Prince Nayef Ben-Abdelaziz, Saudi Arabian Interior Minister.

The visit also reflects the concern of the French Government to maintain good relations with the kingdom and develop co-operation between the two countries in the field of security.

The official visit of the Saudi interior minister follows a recent visit to Saudi Arabia by Mr Andre Giraud, French Defence Minister, and a visit to the Kingdom by Mr Jean-Bernard Raimond, French Foreign Minister.

The Saudi interior minister is due to have talks with President Mitterrand and Mr Jacques Chirac, the prime minister, as well as other senior ministers and leading French industrialists.

French prices up

French retail prices rose a confirmed 0.4 per cent in September, in line with provisional figures reported two weeks ago, the National Statistics Institute (INSEE) said yesterday, Reuter reports from Paris.

The rise compared with increases of 0.1 per cent both in August and in September last year. The retail price index, base 1980, rose to 162.9 in September from 162.2 in August and 159.3 in September 1985.

Polish debt talks

Polish Government officials met representatives of Poland's main Western creditor-governments last week but failed to convince them that because of financial difficulties, Poland cannot fulfil its debt service obligations officials said yesterday, AP-DJ reports from Paris.

The creditors stated that until Poland started paying off accumulated arrears, they were not prepared to consider any alteration of previously-agreed terms.

Poland has been making some debt service payments under a previous debt rescheduling accord, but the bulk of the money is going to commercial banks.

Mafia warrants

Magistrates investigating Mafia killings in the southern Italian city of Reggio Calabria said yesterday that they had issued warrants for the arrest of 21 people on charges of criminal association with a Mafia organisation, Reuter reports.

All 21 are accused of belonging to the Calabrian Mafia, known as the 'Ndrangheta, which police believe is behind the killings of 35 people in Reggio Calabria this year.

EEC Vietnam aid

The European Commission yesterday approved an Ecu 435,000 (£290,000) emergency aid package to Vietnamese victims of Hurricane Wayne, AP reports from Brussels.

The Hurricane, which struck the Vietnamese coastal regions last September, is estimated to have killed more than 400 people, injured 2,500 and destroyed over 500,000 homes.

Commission plans to cut special export subsidies to Syria

BY TIM DICKSON IN BRUSSELS

THE European Commission yesterday announced plans to cut special export subsidies to Syria, in the wake of Monday's bitterly divided meeting of EEC Foreign Ministers in Luxembourg. Observers in Brussels, however, were last night confused as to the significance of this latest gesture.

Following an undertaking given to ministers by President Jacques Delors and the Mediterranean Policy Commissioner, Mr Claude Cheysson, late on Monday night, the Commission said that it would be withdrawing so-called special restitutions (or subsidies) paid in some circumstances to EEC grain traders who conclude deals with Syria.

These special payments were introduced directly in response to the US Export Enhancement Programme (EEP)—a series of offers made by the US some months ago to various Middle East and Third World countries —and are paid on top of standing EEC subsidies designed to bridge the gap between European and world market prices.

Under the EEP, a total of 700,000 tonnes of grain was made available to Syria by the US at attractive prices, but according to American officials in Brussels yesterday, none of this has so far been taken up.

The EEC's own measures, while available in theory, have therefore never been applied in practice.

A Commission official said last night that the situation was under discussion and that a full statement may be made today.

Earlier, another official had indicated that the Commission move was dependent on Washington adopting the same line on grain subsidies to Syria.

According to official figures, the EEC has so far this year sold 350,000 tonnes of grain to Syria, compared with 185,000 tonnes in 1985 and 480,000 in 1984. Most of this is supplied by France. EEC flour exports to Syria are thought to be greater.

Italian ministers divided over policy on terrorism

BY JOHN WYLES IN ROME

ITALIAN Government ministers concerned with security questions yesterday resorted to a bland formula on possible future measures against terrorism because of sharp differences of approach.

The two extremes are represented by Mr Giulio Andreotti, the Foreign Minister, whose attempt to forge closer ties with Arab governments has been steadily crumbling this year, and Mr Giovanni Spadolini, the Defence Minister, who resigned temporarily last year over the Government's handling of the Achille Lauro hijacking.

At the end of a meeting of the inter-ministerial committee on security yesterday, Mr Andreotti avoided any public reference to the British requests for counter-measures against Syria. These would be discussed again, he said, at the next meeting of EEC foreign ministers in London on November 10.

For his part, Mr Spadolini expressed clear support for the UK in a signed article in yesterday's edition of the Republican Party's newspaper, Voce Repubblicana. Britain should not be "left alone to confront a danger which faces the entire community," he said.

The Foreign Minister has fought hard to maintain his "soft" policy towards even those Arab governments which have been clearly involved in terrorism.

This is where the view of the Prime Minister Mr Bettino Craxi, will count. On Sundty, he issued a bare statement of full support for the UK's moves against Syria without any elaboration. It seems that he and Mr Andreotti could not agree on the line to pursue in Luxembourg.

Austria recalls envoy

AUSTRIA IS recalling its ambassador to Israel for consultations in Vienna, Austria's Chancellor, Dr Franz Vranitzky, announced yesterday, Patrick Blum reports from Vienna.

He also hinted that Austria may reduce the level of representation in Israel should the Israeli authorities fail to appoint a new ambassador to Vienna.

The Austrian authorities have grown increasingly impatient with the Israeli Government's failure to appoint a new ambassador following the departure of Mr Michael Elizur, the former ambassador, at the end of his tour of duty last month.

Mr Elizur left Austria without taking formal leave of Dr Kurt Waldheim, the Austrian President, whose election campaign last spring aroused controversy following allegations that he had been implicated in Nazi atrocities. Dr Waldheim denied the allegations.

After Dr Waldheim's election victory, Israel temporarily called back Mr Elizur for consultations in Tel Aviv.

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Setback for EEC standards on toy safety

BY TIM DICKSON IN BRUSSELS

NEW EEC *safety standards for* toys, which Britain had hoped to have in place by Christmas, will now not be approved by member-states until the first *half* of next year at the earliest.

The setback—confirmed in Brussels yesterday — *is the* result of the slower than expected drafting by the European Commission of what is a particularly complicated directive, and the shortage of time so far for any political discussions of its merits.

EEC Consumer Affairs Ministers will give their first reactions to the proposal at a meeting in Luxembourg today but Britain, which is currently in the chair of the EEC, has effectively abandoned any idea of persuading member-states to agree to its adoption.

This means it will not be discussed again until the next meeting of the Consumer Affairs Council in 1987.

The slippage *is* a disappointment for Britain which is trying hard to put new momentum behind the battle to pull down and harmonise EEC safety and industrial standards.

Time is running out with around 75 of the 106 so-called "internal market" items timetabled for decision this year yet to be agreed.

Ironically, as recently as July, Mr Alan Clark, Britain's Trade Minister and president of the Community's informal market Council, specifically identified the toy safety proposal as one which he hoped could be completed by Christmas.

Besides the obvious public interest in an issue such as toy safety—figures put the number of accidents to children at play at around 200,000 per year—the proposed directive is significant in Brussels as being only the second example of the European Commission's much-heralded "new approach" to standards.

This means that instead of the 12 painstakingly negotiating every detail of a standard for a specific product, a simple basic standard is agreed while allowing different national standards to apply to the detail.

Attempts to set standards in this area have a long EEC history with the first ill-fated proposal going back to 1980.

The new approach on toys lays down safety requirements by legislation but refers to voluntary standards for technical specifications on mechanical and physical properties, flammability, chemical properties and electrical toys.

The Commission would manage lists of these standards, while the directive will lay down complex certification procedures designed, the Commission says, "to ensure a high level of safety for toys manufactured in the Community and for toys imported from other countries."

The Commission says it has drawn *on a wide range of* opinion ranging from trade interests, standardisation bodies, consumer representatives and scientific committees.

Cost of living falls in West Germany

THE COST of living in West Germany provisionally fell 0.3 per cent in October from September to stand *0.9* per cent below its level a year earlier, the Federal Statistics Office said, Reuter reports from Wiesbaden.

In September, the cost-of-living index rose 0.2 per cent against August but fell 0.4 per cent against September 1985. The *Statistics* Office will release final cost-of-living figures for October in about 10 days.

The year-on-year decline in October was the largest since consumer prices began falling in West Germany in April this year. The consumer index fell 0.4 *per cent year-on-year* in August, 0.5 per cent in July, and 0.2 per cent in June, May and April.

West Germany's "negative inflation" is chiefly the result of sharp declines in the price of oil and in the value of the dollar since the beginning of the year.

Andrew Fisher profiles a politician ever ready to help high-tech companies

Premier tireless in promoting his state

STOCKY, energetic and outspoken, Mr Lothar Spaeth, *Prime Minister* of the rich West German state of Baden-Wuerttemberg, who is now on an offical visit to the UK, has ruffled quite a few feathers in his political career.

Often tipped as a possible successor to Chancellor Helmut Kohl as leader of the Christian Democratic Union (CDU), he is tireless in his promotion of the interests of his state, which has less unemployment and more growth than the country's average.

He is not shy of intervening to help new, high-technology companies get started and find access to research facilities. He acted recently to ensure that a new Daimler-Benz plant was sited in the state, rather than in the north, by granting state funds of around DM 140m (£50m) for improvements in the local infrastructure.

Mr Spaeth, 48, shrugs off criticism of his methods easily, denying that they are an affront to the principles of the free market. For Baden-Wuerttemberg, companies such as Daimler, Porsche and Bosch represent an important part of the south-western state's prosperity and image.

There is no hint of controversy over Mr Spaeth's three-day trip to the UK, however, which he says will enable him to learn more about British attitudes to science and technology, the service industries, and culture, and the roles of all three in modern industrial society.

But while there is no question about his eagerness to learn—he is a tireless traveller and promoter of his state—British politicians, businessmen and scientists are likely to be far keener to hear how he explains Baden-Wuerttemberg's rise to industrial and technological prominence.

Seated in his vast office in the state ministry in Stuttgart, Mr Spaeth holds forth at length about the reasons for this. "The strength of Baden-Wuerttemberg is in its small and medium companies," he asserts.

"It is the role of the state to try and offset any competitive disadvantages with the bigger companies."

Thus there are extensive research facilities that *smaller* companies can call on for help.

Mr Lothar Spaeth . . . eager to learn

They can turn to the Steinbeis *Stiftung (foundation)*, named after the former royal adviser who once sent a young man called Gottlieb Daimler to Paris to study a gas motor. But Mr Daimler came back, saying he had another idea, and the rest is history.

The foundation is a contact *point* between *companies* and professors in the state, which last year spent some DM 3.6bn, or a tenth of its budget, on science and research. "Smaller companies are inhibited about *turning to science*."

They are not inhibited about exporting, an activity in which Baden-Wuerttemberg outstrips Switzerland, Sweden, Spain and plenty of other countries. Nearly a third of the state's gross national product consists of exports.

Much of the export growth stems from the strongly state-backed research efforts of the state. Justifying high spending in this area, he comments: "There are always small sins against the pure teaching of *the market economy*. But such small sins should at least be directed to the future."

For Britain, the message is all too familiar. "Most people commit large sins which look back to the past. Other German states put lots of money into steel, shipyards, construction, and other sectors, which delay structural change. You have to force structural change to create jobs for tomorrow."

Mr Spaeth is unlikely to lecture the British — he *saw* Mrs Margaret Thatcher yesterday and today sees Mr Paul Channon, the Trade and Industry Secretary — on any shortcomings he may see across the Channel.

But he intends to canvass his idea for more co-operation between high-technology areas of Europe such as his own state, Catalonia in Spain, northern Italy, and south-eastern France.

Thus, his visit today to Cambridge Science Park is regarded as a key stop on his trip. Also on his schedule is a meeting with Mr James Stirling, the British architect who designed the striking art gallery extension in Stuttgart and has been chosen to design a new music school.

Better buildings, more health care, and increased cultural facilities are all part of Mr Spaeth's vision of the modern industrial world, where increased earnings should not just be spent on buying more goods.

"That can create genuine new jobs," he believes. Service industries "should not be seen as just a way out to give the unemployed some sort of work."

US to step up propaganda war in E Europe

BY PETER BRUCE IN WEST BERLIN

THE *US Government is* planning a major intensification of *its propaganda war in Eastern* Europe by setting up a new television station in West Berlin.

Congress has just voted $12m (£8.3m) towards establishing a TV arm to the 40-*year-old RIAS (Radio in the* American Sector) radio station in the divided city, and the Bonn Government, which carries the bulk of RIAS costs, is expected soon to release a provisional DM 8m (£2.8m) funding.

The TV station, which like *its radio counterpart*, will broadcast in German, could begin operating next year. Officials of the US Information Agency, which controls RIAS, said in Berlin yesterday that they expected a total audience *of around* 5m for RIAS TV.

The majority would be East German, an official said. "RIAS is probably already the most popular radio station over there," he added. Although the TV channel would be available to West Berliners too, "East Germans are our primary audience."

Staffed entirely by Germans, though with a US-controlled supervisory board, RIAS TV will be able to reach all of East Berlin and Potsdam to the south-west of the city. US fund-*ing will be limited to transmis*sion costs, at most 10 per cent of total costs.

The fact that the US controls RIAS while the West Germans fund it, is a hangover from the early post-war years, before the *start of the Cold War* when the radio station was dubbed "People's Enemy No 1" by some members of the East German Government.

Although the East Germans now grudgingly tolerate RIAS radio broadcasts, they are understood to have tried almost a *year ago to persuade Bonn not* to allow RIAS TV to go ahead. But they appear to have failed.

In West Berlin, news of the TV plan has won enthusiastic support from the city's ruling Christian Democrats.

Civil servant shot in legs

A SENIOR West Berlin civil servant was shot in the legs near his house yesterday and *police said he may have* been the target of a political attack, Reuter reports.

A police spokesman said Mr Harald Hollenberg, 54, director of the Department for Registration of Foreign Nationals, *suffered flesh wounds when he* was gunned down in the Zehlendorf district.

Mr Hollenberg's assailants, thought to be two men and a woman, escaped in a car later found ablaze nearby.

UN commission for refugees in appeal for £40m

BY STEPHANIE GRAY

THE United Nations High Com*mission for Refugees yesterday* appealed for £40m to carry through its work among the world's 12m refugees to the New Year.

The High Commission's financial problems threaten to *curtail or stop essential services* in camps where shelter is inadequate and education and skills training non-existent.

Only $17m (£11.8m) of the *organisation's* yearly $400m requirement comes from the UN budget.

One immediate need is investment in northern Uganda to create an environment into which 150,000 Ugandans could *return from southern Sudan*.

The British Government has pledged £500,000 towards the exercise, but Mr Jean-Pierre Hocke, the High Commissioner, will be lobbying *the* British and other governments for more.

Mr Hocke emphasised that the organisation was being streamlined to make it more efficient and that irregularities in procurement procedures disclosed *in an auditors'* report to the UN were being rectified.

He said that, apart from the basic emergency facilities, education and income generating activities were essential if refugees were to be able to rebuild when they returned to their homelands rather than become a burden for the rest of their lives.

They must be assisted to *return to their countries of* origin with dignity and security.

The main concentration of refugees are in Pakistan, Sudan, Tanzania, Thailand and Honduras.

Lord Ennals, the chairman of the British United Nations Association, which has launched an appeal for £1m, called for a common European policy on refugees, especially given the barriers recently thrown up against asylum-seekers in West Germany and Denmark.

Hungarian bank offers secret accounts

By Leslie Colitt, recently in Budapest

HUNGARY is successfully enticing Westerners to open hard currency savings accounts by offering competitive interest *rates, secrecy and a guarantee* that deposits and interest will be repaid.

Westerners have responded by opening nearly 120,000 accounts with the Hungarian Savings Bank (OTP), in which they deposited $150m (£104m).

Mrs Katherine Baratossy, a *director of OTP*, said 15-20 per cent more accounts will have been opened this year. More than half of them are in dollars followed by D-Marks, Swiss francs and schillings.

She noted that in addition to the "favourable" interest rates, Westerners were *attracted by the tax and duty-*free status of the deposits.

The secrecy of the numbered accounts, she said, was also "very important" along with the Hungarian State's guarantee for the reimbursement of *deposits* and interest in hard currency.

"Clients must trust our bank and the Hungarian State," she explained. "The figures show that they do."

Negotiations in recent years *between* Switzerland and the US over the abuse of numbered Swiss bank accounts by Americans was "good for us," Mrs Baratossy admitted. She added, though, that Hungary has always had "bank secrecy."

OTP's regulations say that it gives information about hard currency accounts "only to their holders" or to persons authorised by them. The accounts can be opened with a "name, number or code," according to a brochure issued by the bank.

Most of the Hungarian Bank's Western account-holders are Europeans—mainly West Germans, Austrians, French and Belgians—in addition to Americans, many of whom are of Hungarian descent.

OTP pays 6¼ per cent for dollars deposited between one and 12 months, 4½ per cent for D-Marks, 4¾ per cent for Swiss francs and 10 per cent for sterling. The bank lists interest rates for 18 foreign currencies.

Mrs Baratossy said OTP was satisfied with the development of its Western accounts which began 10 years ago, but admitted: "We would like more and more."

Alfonsin fends off attack on his economic team

BY TIM COONE IN BUENOS AIRES

MR RAUL ALFONSIN, Argentina's President, has publicly backed his economic team, led by Mr Juan Sourouille, the Economy Minister, amid growing rumours of a cabinet reshuffle before the year end.

The Government's economic policy has come under increasing attack in recent months from unions and industrialists. With mid-term elections due next year, there has been growing speculation over possible shifts in the Government's economic strategy.

The unions are pressing for across-the-board wage increases to maintain living standards against the inflation rate, running at about 6 per cent a month. The business sector has been complaining of restrictive price controls and excessively high interest rates.

However, President Alfonsin, speaking at an industrial conference at the beginning of the week, gave one of the strongest eulogies he has yet made of his economic policy makers.

"Not only am I satisfied, but I am proud to have collaborators of such intelligence, dedication and honesty working for the good of the country," he said.

In a private meeting Mr Sourouille apparently told industrial leaders that price and wage controls would be relaxed in the coming year and that free collective bargaining between unions and employers would be reintroduced.

The Government, however, would maintain guidelines within which wage increases could be negotiated. It has operated a prices and incomes policy since June 1985.

Meanwhile, hospital workers and teachers in the capital and other cities are staging strike action for wage increases while the General Confederation of Labour is planning a 24-hour general strike on Thursday in the industrial city of Cordoba, in protest at Government economic policy.

Reagan accused of new arms talks gaffe

BY LIONEL BARBER IN WASHINGTON

THE DISPUTE about what President Reagan actually offered at the Reykjavik talks took on a fresh edge yesterday following reports in Washington that the President did in fact suggest banning all offensive strategic forces by 1990, not just ballistic missiles.

The reports confirmed the far-reaching nature of US proposals and appeared to tie in with Moscow's version of the final hours of talks in Reykjavik between the President and the Soviet leader, Mr Mikhail Gorbachev.

According to a further report in Washington, the US has approved a directive for US negotiators in Geneva that incorporates banning all ballistic nuclear missiles by 1996. The complex package would include a pledge to adhere to the anti-ballistic missile (ABM) treaty for 10 years before deploying the strategic defence initiative SDI. The package also includes banning theatre or medium range nuclear weapons in Europe, but significantly not cruise missiles, nuclear bombs and nuclear-tipped shells.

Over the past week, Moscow has accused the US of gross misrepresentation and taken the unusual step of publishing some of the President's remarks. Mr Gorbachev said last week that the President "did, albeit without any special enthusiasm, consent to the elimination of all strategic offensive weapons."

White House officials have denied this, saying the President's offer was restricted to strategic ballistic missiles. They have stressed it did not include other nuclear forces such as cruise missiles and long-range bombers.

But a White House official was reported yesterday as saying that the Soviet version was "basically correct" and that President Reagan agreed, at least preliminarily, that an overall arms accord could include a ban on all offensive strategic arms.

The dispute about what was and what was not proposed at Reykjavik is important in the context of worries within the Nato alliance about the US arms proposals.

The Western alliance relies on strategic nuclear missiles as its main deterrent against a Soviet attack. Scrapping these weapons would mean a radical change in alliance defence strategy.

US miners' union considers merger

By Terry Dodsworth in New York

THE United Mine Workers of America, once one of the most powerful forces in the US labour movement, is considering merging with another union.

The decision, taken at its convention in Atlanta, underscores the weakness of the labour movement in traditional US industries. The UMW draws its members from the coal-mining sector which has been hit by declining revenues and profitability over the past few years. More than a quarter of its 230,000 members are out of work and it has suffered increasingly from a trend to non-unionised pits.

According to Mr Rich Trumka, the union's president, no negotiations have yet begun with potential partners. But interest is focusing on three main candidates—the Oil, Chemical and Atomic Workers, the United Steelworkers, and the Electrical Workers.

If the mineworkers' union linked up with any of these, it would return under the umbrella of The AFL-CIO federation of labour organisations. Under Mr John Lewis, the iron-willed leader of the mineworkers just after the Second World War, the union was pulled out of the federation and pursued a militant approach.

At the convention this week he has already persuaded delegates to eliminate the $70m ceiling on the strike fund, and the move to amalgamate with another union is seen as an additional step to strengthen the union's resources.

Trinidad in $117m gas plan

By Canute James recently in Port of Spain, Trinidad

TRINIDAD and Tobago is to spend $117m over the next three years on a natural gas project off the south-east coast of Trinidad.

Mr Patrick Manning, the Natural Resources and Energy Minister, said production from the project, to be managed by the state-owned South East Coast consortium, is scheduled to begin in early 1990.

Mr Manning said the project was intended to ease Trinidad and Tobago's dependence for natural gas on the local operations of Amoco of the US, which accounts for 80 per cent of the 7.5bn cubic feet of gas produced annually.

Additional gas was needed to support a planned expansion in the country's ammonia production, he said. At current production levels, Trinidad's demand for gas would outstrip supply in the 1990s.

Charles Hodgson in Miami on an American state that points the way to the future

Republicans struggle in booming Florida

IN FLORIDA, where Democrats tend to sound like Republicans, "liberal" is a four-letter word. President Ronald Reagan, campaigning in Tampa last week on behalf of Mrs Paula Hawkins, the incumbent Senator, found it a useful way of describing the Democrat challenger Governor Robert Graham.

A crowd of 9,000 Republicans packed into the red, white and blue bedecked basketball stadium at the University of South Florida roared and stamped their approval as Mr Reagan linked the Governor with the "lighter than air liberalism" of the US tax and spend" Carter Administration.

Mr Reagan's visit to Florida came in the middle of a hectic 13-state tour designed to drum up last-minute support for Republican candidates in the run-up to the November 4 mid-term elections.

Mrs Hawkins, 59, badly needs the President's support in her uphill race against Mr Graham. Opinion polls published by the Miami Herald before his visit put her seven percentage points adrift of her opponent, an improvement on the gap earlier in the campaign which some polls put at 23 points.

But observers believe the Hawkins campaign has stalled and that despite the President's gushing personal endorsement she will probably find it impossible to overhaul her opponent.

The loss of Mrs Hawkins's seat, won in the nationwide swing to the Reagan-led Republicans in 1980, would be a serious blow to her party's hopes of retaining its narrow majority of six in the 100-seat Senate. Failure to return a Republican-dominated Senate, Mr Reagan warned last week, would put the work of his Presidency at risk.

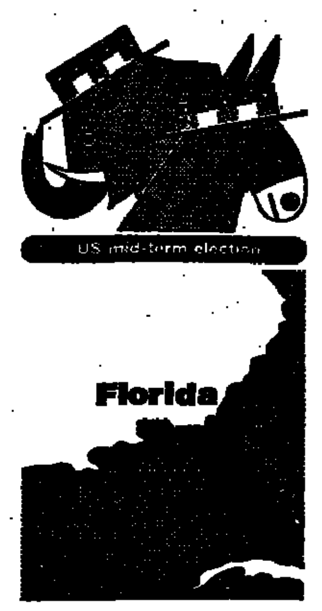
But aside from the issue of who controls the Senate, the Florida race is regarded as a key contest because of the state's rapid emergence as one of the most powerful in the US. A rise in population of more than 30 per cent in the 10 years up to 1984 has pushed the state into sixth place with a population of 11.3m.

By 1990 it is expected to become the fourth largest state behind California, Texas and New York and to leapfrog into third place by the end of the century.

Fuelled by 1,000 new arrivals a day, the state's economy is booming. It is fast diversifying from its traditional dependence on agriculture, tourism and construction into high-technology banking and financial services, retail trade and light manufacturing.

These changes have encouraged Republicans to believe that Florida offers fertile ground. The population explosion has led to a marked change in the state's political character, with 80 per cent of voters born outside the state and with little understanding of its political culture and tradition or allegiance to individual candidates.

Up to one third of the voters on November 4 are likely to be seeing Mrs Hawkins's name on the ballot paper for the first time, while up to a quarter may not have faced Mr Graham's before.



The changing demographic makeup is weakening the state's traditional Democrat base. The arrival of wealthier retired people, including an increasing number from the military, more hispanics, and younger migrants with more conservative views has boosted Republican registrations.

"Over the past nine years Republicans have gained 12 per centage points at the expense of the Democrats. Among voters identifying themselves for one party or the other," according to Miss Anne Kelley, an Associate Professor of Political Science at the University of South Florida.

A poll carried out last year by Florida's state university found that 35 per cent of those surveyed considered themselves Democrats, 29 per cent Republicans and 30 per cent independent. Only five years before, a similar poll found 45 per cent regarding themselves as Democrats.

These new Republicans probably have more in common with their new Democrat neighbours than either realise. Although Democrats have dominated state and local elections since the civil war, Florida has voted Republican in all but two Presidential elections since 1948. Lyndon Johnson in 1964, and Jimmy Carter in 1976 were the exceptions.

It is indicative of inroads made by the Republicans at state level that the party's candidate to succeed Mr Graham as Governor is strongly tipped to defeat a Democrat to become only the second Republican Governor in the state this century.

The candidate, Mr Robert Martinez, was formerly Mayor of Tampa and has run on a strongly pro-business and pro-growth ticket. Mr Steve Pajcic, his opponent, has argued that the demands of Florida's fragile environment should take precedence over unchecked growth. Ironically, Mr Martinez, once a Democrat, is ideologically closer to Mr Graham than Mr Pajcic.

The race for the Governor's post has also reflected more closely the concern in a state about how future growth should be planned than the Senate contest, which has bogged down in a narrow range of issues such as drugs and abused children.

The growth and revenue-raising debate, in a state which has historically used low tax rates to attract wealth is crucial to all-southern sunbelt states, which are acting as a magnet for people and companies from declining industries in the north.

It also has lessons for the nation as a whole, for although Florida has the oldest population of any US state, with 18 per cent over 65, compared with 11 per cent nationally, the largest number of new arrivals are in the 25-44 year age range.

The age structure of Florida's population today gives a foretaste of the likely national picture in 1995, according to Mr James Naisbitt, the economic forecaster, in his best-selling Megatrends.

The conflict between young and old voters evident in the state today over education standards, social security payments, infrastructure and growth patterns is likely to be repeated across the country in the years to come.

Congress budget chief predicts lower deficit

BY JANET BUSH IN LONDON

A COMBINATION of spending cuts, notably on defence, and large-scale artificial accounting should bring the US Federal deficit down to just above $150bn in the fiscal year 1987, according to Mr Rudolph Penner, director of the US Congressional Budget Office.

In fiscal 1988, the deficit was not likely to fall below this level and could even rise again, he told a conference in London.

He said his projection for fiscal 1987 assumed some acceleration in US activity to give real growth in 1987 of over 3 per cent, more optimistic than some other forecasts. An outright recession would have to occur in 1987 to prevent a fall in the reported federal deficit from the record $220.7bn shortfall in fiscal 1986.

Mr Penner's forecast is still well above the $144bn deficit target set by the Gramm Rudman-Hollings Law, which calls for a balanced budget by 1991.

$220m loan for Ecuador

BY DAVID BLACKWELL IN NEW YORK

BANQUE PARIBAS yesterday signed a $220m facility for CEPE, the Ecuador state-owned oil group. The facility, which will help Ecuador weather the fall in oil prices, is a rare new money facility for a country rescheduling its debt.

The facility, in which 32 banks are participating, is based on pre-financing on a revolving basis a percentage of the next six months of the country's oil revenues. Ecuador relies on oil for 63 per cent of its income.

Lloyd's in emergency talks on insuring US bank directors

BY WILLIAM HALL IN SAN FRANCISCO

THE FEDERAL Deposit Insurance Corporation (FDIC), which insures the deposits of nearly 15,000 US banks, has held an emergency meeting with the Lloyd's of London insurance market in a bid to ensure that US banks can get insurance cover for their boards of directors.

The FDIC is facing a record number of US bank failures this year — roughly three a week. This factor, combined with the general problems of the US insurance industry, means that US banks are finding it increasingly difficult to recruit and retain non-executive bank directors because of the difficulties of getting adequate insurance coverage for bank directors, many of whom are sued when a bank fails.

In the case of "bankers' blanket bonds" the premiums and deductibles have increased dramatically while limits of liability and the scope of coverage have shrunk. In addition, a small but growing number of of banks cannot find "fidelity bond" coverage in the insurance market and some banks cannot obtain directors' and officers liability coverage at any price, according to Mr William Seidman, the chairman of the FDIC.

"Limits of liability have been slashed, and policy terms are limited to one year. Policies are frequently riddled with exclusionary provisions which restrict coverage — sometimes to the point where it is difficult to tell what is and what is not covered," Mr Seidman told the American Bankers Association in San Francisco yesterday.

Historically, the FDIC has sued the directors and officers of two-thirds of all failed US banks. As a result the agency has been blamed by many bankers for the industry's current serious insurance problems. However, Mr Seidman denied the charges and noted that 113 of the 237 bank failures since 1984 involved farm banks which were brought down by economic conditions rather than real negligence or wrongdoing by the bank boards.

He said that these types of bank failures would not normally result in a FDIC law suit and noted that over the last year and a half the agency has recovered $50m in cases involving "fidelity bonds" and directors' and officers' claims, well under 1 per cent of the insurance industry's losses.

Mr Seidman disclosed yesterday that he had flown to London last week to discuss the banking industry's insurance problems with major reinsurers. "The purpose of the meeting, arranged by Lloyd's, was to work toward increasing the number of participants in Lloyd's reinsuring pools," said Mr Seidman. He said he had made "significant progress toward dispelling some myths"

Margarita Zimmerman on Castro's catalogue of calamities

Cuba looks East as crisis deepens

THE CUBAN economy is in the throes of one of its worst crises since the 1959 revolution because of a shortage of hard currency, non-fulfillment of export targets and poor performance of its import substitution policies.

At the same time, the Havana Government has strenuously committed itself to greater integration with the centralised economies of Eastern Europe, with whom it already conducts some 85 per cent of its trade.

President Fidel Castro last month sharply criticised the US for selling heavily subsidised sugar to China. Sugar exports last year accounted for about 70 per cent of Cuba's total export earnings, but their share of hard currency earnings have fallen from 62 per cent in 1981 to only 14 per cent of the $1.35bn earned in 1985, largely because of the collapse in world prices.

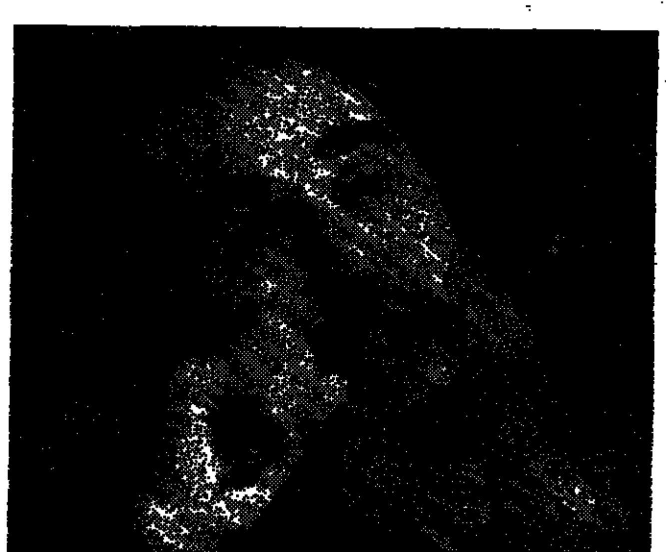
President Castro warned in his speech that the decline in petroleum prices meant heavy losses for Cuba, which in 1985 earned 42 per cent of its hard currency revenues from re-exports of Soviet oil.

Creditor country diplomats agree that the Cuban economy needs an injection of new money for this year and next year, a stabilisation of oil prices at higher levels than have existed for most of this year and a healthy sugar harvest to fulfil commitments to the Comecon block. Cuba this year has had to buy 145,000 tonnes of sugar on the open market to meet its Comecon sugar commitments.

Central bank officials will be in a difficult position when they next meet Paris Club officials to discuss the country's debt problems. At a recent meeting with thte French bank Credit Lyonnaise Cuban officials said $300m in fresh credits were needed in the short term. The bank was prepared to offer only $50m.

According to the Cuban National Bank first quarter trade with the free-market economies fell by nearly 16 percentage points against the same period of last year, while rising 5 percentage points with the centrally-planned economies.

If the trend is maintained throughout the year, total trade of pesos 15.2bn (£13bn) would rise by about pesos 1bn over 1985, although crucial hard currency imports would fall to about 12 per cent of the total.



Fidel Castro: strategic errors

A three-way agreement announced this month under which the Soviet Union will finance construction by Bouygues Offshore of France and INA of Yugoslavia to build oil supertanker docks at Matanzas may provide a model for easing the hard currency squeeze while stepping up Cuban integration in Comecon. The deal is worth FFr 280m (£30m), with one-third of the share going to the Yugoslavian group.

Cuban planners hope to move away from dependence on Comecon, but it offers a security that Western trade cannot provide.

The inefficiences of Cuba-Comecon trade have not escaped criticism and many Cuban economic planners hope that the country can move away from its dependence, although it offers a security that Western trade cannot provide.

President Castro recently criticised Cuban architects for accepting "non-Cuban" designs for the troubled Celia Sanchez textile plant in the southern port of Santiago. The Soviet-designed factory has 14 sq km of flat roofs, all of which leaked when the drought-ridden city recently had its first heavy rain in three years.

On the other hand, East German machinery supplied for a knitwear mill had been very up to date when it arrived in Havana, German officials wryly noted. The machines had been in storage in Cuba for 10 years because of Cuban delays in completing the factory.

The Government's programme for import substitution also appears to be falling far short of target. It had sought an annual savings of pesos 56m for this year, but only pesos 19m was saved in the first seven months, according to Granma, the official party newspaper.

A challenge in resolving Cuba's economic crisis is in convincing the society that it has been living beyond its means and that many of its managers, technicians and workers have grown accustomed to easy money.

Cuba's leaders lay much of the blame for these ills on the Comecon "system of economic management and planning" (Semp) that was introduced into national economic thinking a decade ago and which supplanted conventional western cost accounting practices. The latter were seen at the time as an unnecessary capitalist device in a centrally-planned economy.

It is acknowledged that the Semp system has failed to bring economic efficiency, and has led to an increase in the number of administrative employees to 248,000 from 90,000 over the decade. Management ranks had swelled to 250,000 from 148,000 in a total Cuban workforce of under 3m.

Because the Semp system's complex incentive pay schemes were misapplied, production workers often received double or treble their basic pay, while managers received the benefits of decentralised controls that assigned them authority over state resources.

Networks of managers sprung up at all levels to share the benefits of power and privilege. Business links were forged between entrepreneurs of the 200 free farmers' markets around the country — official figures place their share of the total food supply at 2 per cent — and managers who authorised the use of machinery and materials to build private houses, for example.

Other examples of such enterprise abound, such as the production of plastic earrings, made from melted down toothbrushes, to cooking utensils, which the state was unable to supply in adequate quantity. Some 10,000 private lorry operators earned hundreds of pesos a day, under a mechanism designed to encourage state enterprises to use the national railway by boosting road haulage fees.

Efforts to set Cuba on a new tack are now in the hands of a semp national commission. The head of the nine-member group is Mr Jose Lopez Moreno, president of the Central Planning Board, who recently took over from Mr Humberto Perez, the leading official most closely associated with the troubled semp programme.

The pervasiveness of the inefficiencies has provoked the ire of President Castro. In April he referred to managers who use their positions for personal profit as the "new mercenaries" while at the same time stressing that no "cultural revolution" was in the offing. He suggested a "rectification process" would be in order when he met enterprise managers and economic and party officials in June.

Urging Cuban journalists to report on the country's "catalogue of calamities," he said that while economic planning errors in the late 1960s had been of a tactical nature, the current ones were strategic and would jeopardise the building of a socialist society if they were not corrected.

Japan considers radical changes to tax system

JAPAN'S average wage earners, already the highest paid and least taxed in the world, stand to be even better off if parliament agrees to major tax changes presented to the government yesterday, Reuter reports from Tokyo.

The proposals, formally submitted to Mr Yasuhiro Nakasone, the Prime Minister, by the powerful Tax Council, a government advisory body, call for the biggest shake-up of Japan's tax system in more than 35 years.

In accepting the council's report, Mr Nakasone said the Government must remove the distortions in the tax system and regain the trust of the people.

If the proposals are adopted, the average Japanese making some 4m yen (£18,000) annually could find himself with up to 150,000 yen more in his pocket.

High wage earners would do even better. The council wants the top income tax rate slashed from 88 to 65 per cent.

In all, the council is calling for a 2,700bn yen cut in income taxes in the fiscal year beginning next April.

Big business also stands to benefit from the proposals, to the tune of 1,800bn yen. The council advocated a cut in the average corporate tax rate to under 50 per cent, from nearly 53 per cent.

The catch is that the overall tax reform is designed to be "revenue neutral" — which means that the proposed income and company tax cuts must be paid for with other taxes.

To do this, the council called for the introduction of a value-added tax on sales of goods along the lines of that already in use in many European countries. This would replace the patchwork system of taxes on selected commodities, such as sugar.

The council also advocated the elimination of tax breaks for small savers, except for the elderly and fatherless families. Currently, interest on bank deposits, postal savings and government bond holdings of up to Y3m each is free of tax.

However, analysts say these proposals are bound to run into stiff political opposition, throwing doubt on whether the tax reform package can emerge unscathed from parliamentary deliberations next year.

Following their formal presentation to Mr Nakasone, the council's recommendations next go to the ruling Liberal Democratic Party for consideration.

The savings lobby is particularly powerful within the Liberal Democrats and is sure to argue forcefully against the council's proposals in that area.

ADB funds increase backed by 18 nations

By Peter Blackburn in Abidjan

AN 18-COUNTRY ad hoc committee has agreed to "favourably consider" a 200 per cent increase to $18.4bn in the capital of the African Development Bank (ABD), according to a bank communique released yesterday.

The Abidjan-based bank, the most important pan-African development financing institution, is seeking an increase in capital to support a new five-year lending programme for 1987-91.

The capital increase is the first in which the bank's 25 non-African members, who joined at the end of 1982, will participate.

A resolution in support of the capital increase is due to be finalised at the committee's next meeting in Abidjan next month before being submitted to the bank's governors for approval.

The communique follows the third Meeting of the ad hoc committee in Washington.

In what is seen as a compromise, the bank's five-year lending programme would be reduced to between $5.5bn and $7.1bn from the original proposal of $9.5bn.

Government schemes have alarmed aid donors, Michael Holman reports

Ethiopian regime under scrutiny

ETHIOPIA'S controversial Government, which is expected to appeal later this year for further food aid from international donors, is likely to come under renewed scrutiny from Western governments in the wake of the third defection within a year of a leading official.

The charges levelled in New York by Mr Goshu Wolde, who resigned this week as Foreign Minister, echo those made last December by Mr Dawit Wolde Giorgis, former head of the Ethiopian Government's Relief and Rehabilitation Commission (RRC), and his deputy, Mr Berhare Daressa.

All three men paint a picture of an authoritarian regime headed by Colonel Mengistu Haile Mariam, who is committed to an inflexible application of the Marxist principles the Government espouses. The administration's unsuccessful agricultural policies, the defectors say, exacerbated the effects of the devastating drought of 1984 which cost hundreds of thousands of lives.

The drought and the accompanying famine prompted an unprecedented international relief operation in which 6.5m people were regularly fed (15 per cent of the population) and 1.2m tons of food, mainly from Western governments and agencies, were distributed.

The efficient role of the RRC was widely admired but nevertheless several questions were raised about Ethiopia's vulnerability to drought and famine.

What especially alarmed many donors, anxious to avert another such catastrophe, were two government programmes. The first involved the resettlement of peasant farmers and their families living in the arid north to the more fertile south.

The second programme envisages the expansion of peasant cooperatives under a "villagisation" scheme which would affect about half the peasant population by 1994 and put about half the cultivated land under communal control.

Several Western governments – notably the US – and donor agencies have strongly criticised the former programme in which about 600,000 farmers and their families have been relocated and 1m or more scheduled to move. They have accused the government of coercion and maintained that the scheme, badly planned and poorly implemented, has itself cost tens of thousands of lives.

They also maintain that the resettlement policy has underlying political motives. The Government, say critics, wishes to move sympathisers of the rebel movements operating in Tigre and Eritrea provinces to the more secure south.

The "villagisation" programme has also come under sharp attack for it is seen as an extension of the state's role in the agricultural sector.

Western critics say that the Government's participation has been marked by inefficiency, low productivity, poor returns on capital investment in heavily mechanised state farms and, above all, a policy which discourages peasant production because of low prices for cash crops and cereals.

The critics case was reinforced last year when Mr Dawit Wolde Giorgis, the leading figure in the Government's relief operation, announced his decision to stay in the US.

Criticism of government policy, both on humanitarian grounds and because of its impact on agricultural production, is now likely to be revived at an important stage in Ethiopia's efforts to cope with the continuing effects of the drought.

Although the worst of the crisis is over, the country, which even in a normal year has to import around 400,000 tons of grain, remains affected by the upheavel caused by the drought, including the dislocation of the population and the loss of draught animals.

The RRC and international agencies are still assessing the size of this year's harvest and probable needs in 1987. Most experts believe that Ethiopia will once again require the assistance of the outside world, albeit on a scale well below that of the 1984–85 crisis.

A donor conference is due to take place in Addis Ababa later this year. It may well turn out to be an occasion at which the donors, whose conerns will have been aroused by the latest defection, will ask some tough questions about the degree of government responsibility for its predicament.

Australia launches investment gold coins

AUSTRALIA, yesterday launched the first phase of its assault on the world market for investment gold coins once dominated by the sanctions-hit South African Krugerrand, Reuter reports from Perth.

GoldCorp Australia, an arm of the Western Australian State Government's Western Australian Development Corporation, will offer 15,000 proof mintings of each of four Australian Nugget coins.

The 99.99 per cent purity coins are named after famous large nuggets found by prospectors over the 135 years since gold was discovered in Australia.

A full set of the one-ounce, half-ounce, quarter-ounce and one-tenth ounce proof coins will cost A$1,992 (US$1,280) and a one-ounce coin A$1,029. Half the proof coin sales will be reserved for Australians and the rest will be sold on the world market, GoldCorp said.

The proof Nuggets will be selling at a premium of more than 60 per cent on the world gold price, now about $410.

Mass-produced Nuggets will be launched on the world market in 1987

Israeli nuclear technician 'moved to civilian jail'

BY ANDREW WHITLEY IN TEL AVIV

THE FORMER Israeli nuclear technician suspected of having been kidnapped abroad by the Mossad, Israel's secret service, and brought back to the country has been transferred from a military detention centre to a civilian jail in Haifa.

Security sources say that Mr Mordechai Vanunu was transferred four days ago from the Cadera detention centre in central Israel, where he was originally held, to a civilian prison following the completion of his questioning by the security services.

At the end of his initial remand period, next Tuesday, Mr Vanunu is expected to be formally indicted.

Mr Vanunu who leaked Israel's nuclear weapons secrets to a British newspaper, faces charges under Item 131 of the Israeli criminal code, dealing with offences against the state. He is expected to be brought before the Jerusalem district court to face trial in the near future.

Against a background of continuing official silence, the Israeli press is mounting a campaign to force the Government into disclosing his presence in Israel and explain the security lapses which apparently led to his revelations.

With public opinion running strongly against the former employee of the Atomic Energy Commission, who is being treater as a traitor, the press has called for him to put on trial in public and severely punished.

"His being brought to Israel, his trial and sentencing must deter every potential traitor," said Ma'ariv, a leading daily. The English language Jerusalem Post condemned the tight secrecy surrounding Mr Vanunu's whereabouts, ridiculing the claim of the Prime Minister's Office that it did not know anything about the affair.

Meanwhile, Mr John McKnight, an Australia priest who had befriended the dissident Israeli and has been searching for him, said yesterday that he had not been able to contact Mr Vanunu, and was leaving the country.

Mr McKnight said he had been told by the Israeli embassy in London that he would be able to visit the nuclear technician, if he was being held in Israel. But all his efforts to track down his friend had been met by an official silence.

Punjab faces upsurge in Sikh extremist violence

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S northern state of Punjab is facing renewed violence by Sikh extremists in the run-up to the second anniversary on Friday of the assassination of Mrs Indira Gandhi, the Prime Minister, by two Sikh security guards.

Nine people were killed in four separate attacks by gunmen yesterday. Seven people died in an attack on a bus last Saturday in the worst mass killing in the state since July

Violence has increased in Punjab in recent months following the Indian Government's failure to push through key parts of its peace accord for the state.

The government is stepping up its accusations against Pakistan, with which its relations have been deteriorating recently, of training Sikh extremists. Police blamed some of yesterday's attacks on 50 Sikhs who they said had crossed illegally into the Punjab from neighbouring Pakistan in the past month.

The attacks, included the killing of three people at a Sikh religious function and two "Mahants" or religious men at a shrine. Others killed included the uncle of a former Punjab police chief and a district official of the Gandhi family's ruling Congress I Party.

The extremists want to create an independent Sikh state of Khalistan in the Punjab. Their killings are aimed at removing Sikhs who do not agree with this aim and at frightening members of India's majority Hindu religion sufficiently for them to leave the Punjab.

The situation was discussed last night by the Government's political affairs committee and tomorrow a meeting has been called in Chandigarh of all the state's political parties.

US to relax restraints on migration from Hong Kong

BY DAVID DODWELL IN HONG KONG

THE US Government is to relax restraints on migration from Hong Kong from October next year, raising the annual quota from 600 to 5,000.

The move will be widely welcomed in Hong Kong, where many local people, nervous about the fate of the territory after 1997 when China regains sovereignty, have sought foreign residence rights.

US officials insisted yesterday that adjustment of the quota involved no change in migration policy. They said that it would nevertheless help to clear the backlog of Hong King residents who have qualified for residence in the US, but who have been caught in a waiting list resulting from the quota limit. Many have to wait between 10 and 15 years before coming to the front of the queue.

Emigration from the British territory is a matter of serious concern not just for Hong Kong Government officials, but for those in Peking too. Authorities fear it will undermine political and economic confidence, divert investment capital, and result in the loss of skilled and professional people.

About 8,000 Hong Kong people emigrated to Canada last year—about half of the country's immigrant total. About 4,000 found new homes in Australia.

The US move coincided with signs that Vietnamese refugees encamped in Hong Kong face increasingly bleak prospects of resettlement in third countries.

A senior Hong Kong official who returned yesterday from a United Nations refugee conference said that third countries were all waiting for a lead from Britain before making any commitment to resettle more refugees themselves.

WORLD TRADE NEWS

US warns Japan on microchip pact violations

BY LOUISE KEHOE IN SAN FRANCISCO

THE US Commerce Department and the US semiconductor industry have issued thinly disguised threats to Japanese chipmakers of the potential consequences of their alleged violations of the US-Japanese semiconductor trade agreement.

The move comes on the eve of the first scheduled inter-government consultations on the implementation of the broad trade pact in Washington this week. The Commerce Department said that it would impose stiff dumping penalties on Japanese memory chips if the trade agreement rules were broken.

Separately, the powerful Semiconductor Industry Association trade group, which represents US chipmakers, threatened to call for "additional government action" which might include dumping duties, if Japanese companies did not stop dumping (selling at less than fair value) chips in third country markets by November 15.

In a move that puts "teeth" into the trade agreement, the US Commerce Department announced on Monday that it had reached a final determination that the Japanese chip makers were guilty of dumping memory chips in the US during the period April 1 to September 30 1985.

The department undertook its investigation as a result of an anti-dumping suit filed last year by three leading US chip makers: National Semiconductor, Intel and Advanced Micro Devices. Although the anti-dumping suit has been suspended as part of the trade agreement, it could be reinstated if Japanese chip makers violate the trade pact, US trade officials warned.

The potential consequences of violations of the trade pact were clearly spelled out by the Commerce Department. Japanese chip makers could be forced to pay prohibitive dumping duties on their erasable programmable read - only memory (Eprom) exports to the US.

The Commerce Department said that these duties would be: for Nippon Electric, 188 per cent; Hitachi, 85.2 per cent; for Tishiba, 60.1 per cent; and Fujitsu, 103 per cent. All other Japanese producers would pay 93.9 per cent.

In a letter to Mr Michael Smith, the deputy US Trade Representative, the association alleges that "Japanese semiconductor companies have completely ignored the anti-dumping elements of the agreement in third country markets and in Japan."

It complains of "outright violations by Japanese companies in third country markets and their home market and failures by the Japanese Government to enforce the agreement adequately.

Our Trade staff adds: On Monday in Geneva the EEC challenged the US-Japan semiconductor pact under the General Agreement on Tariffs and Trade. The EEC Commission believes the pact may violate the Gatt anti-dumping code and European chip manufacturers believe the accord will lead to Japan and the US carving up the world semiconductor market.

W German shipyard order

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

AMERICAN President Lines (APL) of San Francisco yesterday confirmed orders for three large container ships to be built in Kiel, West Germany, by Howaldtswerke-Deutsche Werft (HDW).

The ships, each capable of carrying 3,800 20 ft equivalent units (TEUs) will replace smaller vessels on APL's cross-Pacific routes.

APL said the value of the order was commercially sensitive in view of negotiations for a further two ships with other shipyards. West German estimates of around DM 500m (£176m) were described as "well wide of the mark."

The order is of great importance for HDW, which is in the process of completing work on the last three merchant ships on its order book.

Qualified welcome for Peking investment incentives

Further action may be needed, reports Robert Thomson

HAVING DIGESTED a round of investment incentives announced earlier this month, foreign business people in China are convinced that Peking will have to take further action if it is to improve its poor investment image and arrest declining investment levels.

They believe that the incentive package is a sign that Chinese leaders are listening to their complaints, however, and welcome it as hard evidence that the leadership is still determined to attract foreign investment.

"People are glad that the new regulations are out but they will want to see how they work in practice," a trade official from a Western embassy said. The Government was beginning to get an idea of what was needed, but there was some way to go.

The 22 new provisions on investment extend tax breaks, put ceilings on the sometimes extortionate salaries of Chinese staff, and reduce state charges for land, from $2 to $1 per sq metre in some cases. In theory, the regulations also give joint venture partners more power to hire and fire staff.

The emphasis in the provisions is on stimulating exports. Joint ventures which export more than 70 per cent of their output will pay profits tax at half the present rate, while ventures in the Special Economic Zones which export the bulk of production will have their profit tax cut from 15 per cent to 10 per cent.

Peking officials are obviously aware that joint ventures are having problems with interference by local authorities and that some are being undermined by bureaucratic delays.

Article 15 of the new regulations stresses that the Government "at all levels" must "guarantee the right of autonomy of enterprises with foreign investments," and support them by acting "in accordance with internationally advanced scientific methods."

The regulations follow a 20 per cent fall in foreign investment in the first half of this year, the first decline since Peking opened the door to foreign funds in late 1978. China is also concerned that the $5.32bn investment inflows since then has been directed to the wrong sectors, with a flood of money into hotels and other service businesses, but only a trickle into technology transfer.

A provincial trade official said in an interview that he is unperturbed by a drop in contract signings this year because his organisation has been more selective about the people with whom it is doing business, and is concentrating on "quality" projects.

But a diplomat said China will need approximately $4bn in foreign investment over the next four years if it is to meet the goals of the seventh five year plan covering 1986 to 1990.

The new regulations highlight a problem often identified by foreign investors, the fluidity of Chinese laws. The difficulty is most acute in the sometimes liberal approach to contract obligations taken by provincial officials, despite an edict from Peking that all contracts are to be honoured.

Gu Ming, the director of the Economic Legislation Research Centre, this week assured investors that they could sue lawbreakers in court, and that foreign investors' lawful rights can be effectively protected. Yet diplomats contend that few investors would be willing to use a legal system that is best described as immature.

Mr Gu admits that China must do more to improve the investment climate though he favourably compared China's present climate with that of Asia's newly industrialised countries. Earlier this month Deng Xiaoping, the Chinese leader, suggested that "foreign entrepreneurs could not find a safer investment than in China."

Mr Deng's promotion of investment and the new regulations are positive signs that the pragmatists in the Chinese leadership are still in the ascendancy, and that they will be willing to make further concessions. A US trade official said that more specific provisions should be introduced to encourage import substitution, which is yet to be enthusiastically embraced by Peking.

The Chinese Government's main aim is to increase exports, so as to reduce its trade deficit, which in the first nine months of this year reached $8.9bn. The US official said China should also consider balancing foreign exchange for joint ventures on a national rather than on a venture-by-venture basis.

A shortage of foreign exchange this year has delayed approval for many joint ventures, while provincial investment officials say they are frustrated by restrictions on foreign borrowing that mean more loans must be approved by Peking.

Foreign business people say the new regulations do little to solve the problem of converting renminbi profits from domestic sales into hard currency. They say sales within China are necessary in the early stage of production by joint ventures, and a means of extracting hard currency from those sales is also necessary.

FEARS OVER DEVELOPMENT OF NUCLEAR BOMB

UK stops Pakistan camera sale

BY SIMON HENDERSON

BRITAIN HAS frustrated an attempt by Pakistan to buy sophisticated industrial cameras because officials thought they would be used to develop nuclear weapons.

The incident, involving equipment not normally covered by export controls, is likely to lead to a change in regulations in Europe and North America to stop the sale of similar equipment to other nuclear threshold states, such as India and Israel.

An inquiry for the purchase of a flash discharge X-ray machine and a high-speed camera, together worth £200,000, was received earlier this year by International Military Services, the London-based company 100 per cent owned by the Government which helps arrange and find finance for foreign military sales.

Normally flash X-ray machines only need an export licence if rated above 500 kilovolts. The equipment, along with high-speed cameras, can be used for a variety of military purposes including the calibration of artillery guns. But powerful varieties of the machines are used to design the high-explosive trigger for an atomic bomb, when plutonium or highly enriched uranium is compressed to cause a nuclear explosion. This summer Britain and Sweden stopped the export to India of three machines rated at 1,200 kv.

The Pakistani inquiry was for a 450 kv flash X-ray machine and an associated high-speed camera. British officials were put on their guard because the inquiry seemed like a substitute for an order made in the US last year when the Pakistan army artillery school tried to buy a flash X-ray machine from Hewlett-Packard. The US Government angrily cancelled that order when two men sent for training were discovered to be employees of the Pakistan Atomic Energy Commission (PAEC).

> Powerful varieties of the machine are used to design the high-explosive trigger for an atomic bomb

This time the intended end-user of the machine was the Pakistan Ordnance Factory at Wah, west of the capital, Islamabad. This was another source of anxiety for officials the installation is thought to be where the conventional explosive trigger of a Pakistani atomic bomb is being designed by PAEC.

The British Government used its influence to stop any order for the equipment, in advance of a change in the export control regulations, after work at the Atomic Weapons Research Establishment at Aldermaston showed that X-ray machines rated at only 450 kv could be used to design nuclear bombs. The possibility that Pakistan was intending to use the equipment for this implies a more advanced technical development of its secret nuclear weapons programme than previously realised.

Pakistan may now try to buy the flash X-ray machine directly from its Swedish manufacturer, Scandiflash. But the company, which has supplied similar equipment to Israel, says that it has not been approached. A Swedish official responsible for export controls says that the country is aware of the new concern about 450 kv flash X-ray machines and the situation is being kept under review.

Asked for comment, the Pakistan embassy in London said that the Pakistan Ordnance Factory was looking for a flash X-ray machine for the testing of artillery guns. The embassy repeated its usual denial that Pakistan's nuclear research was for making a nuclear bomb.

Bulgarian bid to join Gatt challenged

By William Dullforce in Geneva

Bulgaria's application to join the General Agreement on Tariffs and Trade (Gatt) has run into objections from the US and the European Economic Community in the Gatt council. Neither agreed at Monday's council meeting to Bulgaria's request that it be treated as a developing country and that a Gatt working group be set up to examine its application.

Gatt could no longer pursue an open door policy, the EEC argued. It had to start considering the interests of the free-trade organisation as a whole rather than the interests of individual applicants. But, if Bulgaria would drop its claim to developing country status, fresh possibilities might appear.

The US did not believe that non-market economies were compatible with Gatt and doubted whether Bulgaria was capable of undertaking "real" Gatt obligations. It would need evidence of tangible reforms in the Bulgarian economy.

Mr Atanas Paparizov, director-general in the Trade Ministry, said Bulgaria was trying to expand trade with market-economy countries and was ready to conclude joint ventures.

Hyundai offers big rebates to Canadian car buyers

BY BERNARD SIMON IN TORONTO

AFTER TWO years of spectacular success in the North American market, the South Korean carmaker Hyundai has had to face up to unexpectedly weak demand by offering sizeable cash rebates to Canadian buyers.

Hyundai Canada said yesterday that it would offer rebates of between C$750 and C$1,000 on 1986 Pony, Excel and Stellar models in a bid to clear unexpectedly high inventories.

The company blamed a "general industry recession" for its over-optimistic market estimates. Sales figures indicate, however, that Hyundai has fared worse than North American and Japanese suppliers. Hyundai sales in September, totalling 4,537 vehicles, were only half the level of a year ago. Hyundai is in danger of falling short of its 1985 sales of 79,000 cars this year, compared with earlier expectations of a 1986 offtake of 100,000 vehicles.

An official of the Federation of Automobile Dealer Associations of Canada ascribed the sharp turnaround in Hyundai's fortunes to its earlier success in penetrating the market for compact, low-cost models, and to the aggressive counter-tactics of North American carmakers. The price of Chrysler's Dodge Omni, for example, is now C$800 lower than a year ago.

Even the Koreans were surprised by their initial success when they started exporting cars to Canada in January 1984. Helped by a preferential import duty, Hyundai's market share shot up to 10 per cent in less than two years.

UK order for Boeing jet

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITANNIA Airways, the UK's biggest independent airline, has placed a £40m order for a further Boeing 767 jet, for delivery in the spring of 1988.

This will bring Britannia's 767 fleet to six aircraft, in addition to 25 Boeing 737-200 twin-engined jets.

Mr Derek Davison, chairman, says that this year, for the first time, Britannia will carry over 5m passengers, more than any other UK airline apart from British Airways.

In addition to buying the sixth short-to-medium-range Boeing 767, Mr Davison says the airline "will be looking for the 737's replacement for the early 1990s.

TECHNOLOGY

TECHNOLOGY TRANSFER IN THE UK

Tighter business rein on British inventiveness

By Peter Marsh

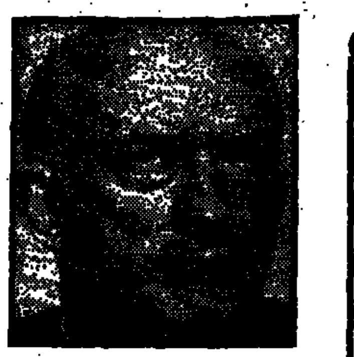
THE ROLE of the British Technology Group, the UK's state-backed technology-transfer agency, has come under the spotlight as a result of growing political and industrial interest in mechanisms for taking ideas from research laboratories and turning them into industrial products.

The main job of the group is to arrange licensing deals between industry and publicly funded research institutes, mainly universities, injecting development capital where appropriate to take an invention to a commercial stage. It also finances the development of new technologies in industry.

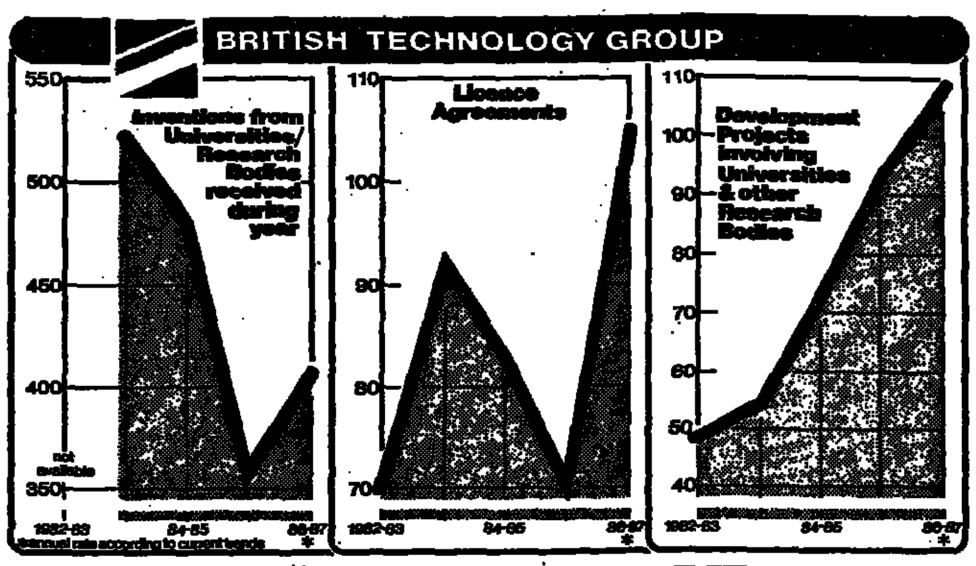
The organisation last year spent about £10m on projects to commercialise technologies. Its net income from licensing operations is running at about £10m annually — much of this comes from deals struck with companies several years ago.

Among the companies with which the group has had joint ventures are Pilkington, Ferranti, Cambridge Instruments, Datron, Unimation and Babcock-Bristol. Last year it signed licensing agreements with companies such as ICI, BP, the Wellcome Foundation and GD Searle. The group also played a key role in setting up Celltech, a successful UK biotechnology company which is now owned by private interests.

In the past, the BTG has often been accused of lacking commercial acumen and of taking too long to decide on whether to back inventions. Over the past couple of years, however, the group claims to have tightened up on its organisation and "become more businesslike," according to Mr Ian Harvey, the chief executive.



Geoffrey Pattie —There is nothing like a captive market for turning people into inadequate performers.



John Smith—If Labour won the next election BTG could be taken into a new public organisation.

Mr Harvey took over this role a year ago after seven years in charge of development projects at the World Bank in Washington DC. He says a fundamental change has been that the group now takes considerably less time to react to proposals before deciding whether to back them (see accompanying story).

The group is also becoming more hard-nosed. "We are in a long-term business," says Mr Harvey. "When we are talking to companies about licensing we are asking for down payments of up to £100,000—and getting it. A few years ago we might have only asked for £5,000 because we were not aggressive enough."

The organisation has changed its approach largely because, for the first time, it has been faced with competition from private-sector bodies. Until May last year, the group had the statutory duty to examine all technical ideas put forward by academic institutions that appeared to have a chance of commercial success.

The Government removed this duty with the aim of bringing competition into the technology-transfer process. The result is that some universities have set up their own organisations to commercialise technologies, while others use private companies as technology-transfer agents. In practice, it appears that most universities use different mechanisms depending on exactly what type of technology they are trying to commercialise.

Mr Geoffrey Pattie, the minister for industry and information technology, says that the group's relationships with universities have improved. "There is nothing like a captive market for turning people into inadequate performers," says Mr Pattie. "The BTG is now trying to win business on its own merits."

According to Mr Pattie, the change in attitudes has reached the stage where the group has become a possible candidate for privatisation. This is assuming that legal complexities involving the equity stakes the BTG owns in a small number of companies could be sorted out.

Others disagree fundamentally with this proposal. Mr John Smith, the Labour Party's spokesman on trade and industry, says that the Government ought to strengthen the BTG by injecting funds into it rather than consider selling off the organisation.

If Labour won the next election, the BTG would probably be consolidated into a new public organisation, British Enterprise, aimed at providing support for new technology based businesses. Mr Smith says that this would aim to work with the private sector as far as possible but would need to draw heavily on state funds.

Professor John Ashworth, vice chancellor of Salford University, says that selling the BTG might be unwise. He thinks that some of the past criticism of the group has been unfair. He also notes that the 186-person organisation has built up over the years a near-unrivalled expertise in licensing agreements and patents.

"If the group was privatised, this body of people would probably be broken up. There would have to be a lot of relearning all over again."

Britain's 45 or so universities and colleges appear to favour their newfound freedom to choose between technology transfer agencies. Universities' total spending on research was put at £730m in 1983-84. Some have noted real changes in the approach of the BTG.

"We have been impressed with the way they (the BTG) have set out their stall," says Mr Alex Currie, secretary to Edinburgh University. "The BTG is showing extra keenness (to win our business)," says Mr David Smith, assistant to the vice chancellor at Surrey University.

Others are not so sure. "It will take time for the BTG to change its ways," according to Professor John Large, director of industrial affairs at the University of Southampton. Prof Large still recalls with a shudder that one of his colleagues once put in a proposal to the BTG—three years later he was still waiting for a reply.

"There has been a change in attitude among people at the top but it may take some time to filter down," says Prof Large.

Mr Roger Quince, a partner in Segal Quince Wicksteed, consultants specialising in high-technology industry, says the group has attracted criticism in the past, some of it deserved. But he has sympathy for the group's predicament. "They are part of the public sector but are being asked to operate in a private sector way. It is an ambivalent, ambiguous position."

Mr Charles Desforges, chief executive of Research Corporation, one of the private sector bodies trying to take over some of the BTG business, says that the work of technology transfer is intrinsically difficult. "Only one in 100 ideas (that are taken up by such a body) will pay off," says Mr Desforges, whose organisation is backed by US interests and 3i, the UK banking group.

Both Research Corporation and Cogent, a technology-transfer agency owned by the Legal and General insurance company, say they are seeing interest among universities in what they have to offer as a result of the relaxing in the legal framework over transfer of technologies. Both bodies can arrange licensing deals with companies and, particularly in the case of Cogent, fix up development finance.

Portable screen from Finland

By Geoffrey Charlish

THIN DISPLAYS of half A4 page size using a new electro-luminescent technique have been developed by Lohja Corporation of Finland.

The screen is primarily intended for portable computers, desk-top terminals and process instrumentation. It is easily connected to machines like the IBM PC that use MS-DOS operating systems.

Called Finlux MD 640.200, the screen accommodates 640 x 200 picture elements to support 25 lines of 80 characters, or equivalent graphics. The 228 x 158 x 35mm unit includes display panel, drivers, a control board and a power converter. More from the company in Finland on 042 001.

LEB takes the trunk route

TRUNKED MOBILE radio facilities are to be supplied to the London Electricity Board by Storno of Camberley, Surrey, UK.

Trunked radio is a relatively new approach in which users are not provided with a fixed radio channel over which to speak, but instead are allocated a channel by computer as the need arises. This makes better overall use of the available set of frequencies.

Less internal red tape makes for quicker response to ideas

THE British Technology Group, says Mr Ian Harvey, chief executive has cut internal bureaucracy to produce better relations with universities and other public bodies coming to the organisation with ideas.

In particular, it is trying to cut the time it takes to examine projects to find out whether the idea is worth backing.

According to the group's figures, in 1982 it had a backlog of 400 inventions still under examination. On average, the group took six months in analysing each invention to assess its chances in the market place. This often led to frustration among inventors who wanted to know quickly whether the BTG would back his or her idea.

Today, the backlog is 80 inventions and the group normally aims to give an individual inventor a response in five weeks. "We aim to have no invention on our books (for initial analysis) for more than three months. If we are going to say 'no' to aiding a technical idea, we will do so within a month," says Mr Harvey.

The cut in the queues, says Mr Harvey, is being achieved by simply being more orientated to the needs of the customer — in this case universities. "We have to realise that it is important to them that we are prompt," says Mr Harvey.

The BTG itself has undergone radical changes in recent years. It was formed in 1981 as a result of a merger between the National Research Development Corporation, NRDC, which since 1949 assumed responsibility for assisting the commercialisation of publicly developed inventions, and the National Enterprise Board. The latter's main role was to aid the development of technology based businesses by injecting into them state funds.

In recent years the group has sold off many of the investments in companies built up by the NEB. Virtually all of its activities are concerned with technology transfer along the lines of the old NRDC brief.

Mr Harvey says the BTG will put more emphasis on marketing British inventions abroad. The group has appointed an overseas marketing manager, Dr Mike Knight, to handle this activity. "In the past the group has not been particularly internationally oriented," says Mr Harvey. "But the UK produces only a small amount of the world's technology and we have to trade overseas."

The BTG aims to be more selective about the types of technologies for which the body attempts to find business sponsors. It will focus many of its efforts in four areas: pharmaceuticals and biotechnology; advanced manufacturing technology, such as use of robots; information technology and electronics; and techniques of use in the construction industry, such as software to help on building sites.

The group recently concluded deals with seven universities in which it will make available up to £300,000 to fund development projects. The academic institutes are the universities of Manchester, Salford, Southampton, Strathclyde and Edinburgh, University College in Cardiff and the University of Manchester Institute of Science and Technology.

In development projects with universities, the group provides anything between £5,000 and £250,000 to bring to the commercial stage a technology originated by research scientists and engineers.

The numbers of new projects being agreed are currently running at 16 per cent higher than last year. Licence agreements, in which the BTG arranges for commercial outlets for UK-developed technologies, reached a low point of 70 last year, compared with 83 in 1984-85 and 92 the year before. The downward trend has, however, been arrested, says Mr Harvey, with the figure for the current financial year running at 50 per cent higher than last year.

UK NEWS

Development body aims to rescue ailing Trafford Park

THE GOVERNMENT'S plans for four new urban development corporations (UDCs) have met with a mixed response from the designated areas—Trafford Park, in Manchester, Tyne and Wear, Teesside and the Black Country in the West Midlands. There has been a welcome for government aid to encourage regeneration, coupled with fears over the diminution of local planning powers.

Ian Hamilton Fazey describes the reaction at Trafford Park, which will be the first of the UDCs to operate, and Arthur Smith (below) details the problems which will face the new body in the Black Country, where dereliction has increased rapidly.

THE VAST, 2,000-acre industrial zone that is Trafford Park proved the case for Urban Development Corporation when it was first developed at the turn of the century. It bordered on the newly-opened Manchester Ship Canal and was seen as a great opportunity to attract industry and jobs to the area.

A single estate owner was able to control the initial use and subsequent disposal of land. Rents and profits financed the development of roads, railways and amenities. What was then a revolutionary, high-quality environment was provided with parkland, a boating lake and golf course. There was even a village of back-to-back terraced housing, complete with shops, a school and three churches.

Trafford Park thrived and between the wars acquired a reputation as the most modern industrial estate in Europe. As late as 1965, 52,000 were employed there.

Things are very different today. Land ownership is fragmented and there is dereliction. Where the waters of the disused port and ship canal lap against Trafford Park's wharves, the surface is thick with stinking flotsam. Employment has fallen to 24,500.

If visitors can find their way—for there are few signs to help—they will discover that the village has been demolished and the school converted into workshops for small businesses. The churches, though, are still open.

There are some good, modern, industrial units in the park's enterprise zone, where the prized newcomer is the gleaming white northern headquarters of the Daily Telegraph. But development appears mostly to have been piecemeal over many years.

All this is only two miles from the centre of Manchester. Trafford Park Estates, the original developer, still owns half of it. Mr Neil Westbrook, its chairman, thinks things are really all right.

The hung Trafford Borough Council, with all-party agreement, has a different view. So have the park's major industrial companies—GEC, Carborundum, Kelloggs, GKN, ICI, Procter and Gamble, CPC and Ciba-Geigy.

They believe that Trafford Park will spiral into irreversible decline unless something drastic is done. They want an Urban Development Corporation (UDC) to get the park into shape.

Mr Nicholas Ridley, the Environment Secretary, has said they can have one, but everyone is on tenterhooks about the form it will take.

A strategy study—paid for by the council, the park's major manufacturers and two Government departments—has produced the blueprint: a £90m programme over 10 years.

The study concludes that 9.4m sq ft of new industrial and commercial space could be created, purpose-built for growth industries, five minutes from the motorway network and 20 minutes from Manchester International Airport. It predicts £554m of private sector investment and 16,000 additional jobs.

Mr Doug Edwards, managing director of GEC Switchgear and chairman of the trilateral group that commissioned the study, says: "What is needed is a user-friendly UDC. The scale is too big for a conventional estates management company and the state of the park proves it."

The key political issue, however, is whether the UDC, which Mr Ridley wants operational on April 1, will be "user-friendly" enough. For Trafford Council, this means not following the examples of the two prototypes on Merseyside and the London Docklands.

These have planning powers in their own right, which allow them to override the wishes of local authorities.

The council wants the Trafford Park UDC to spearhead regeneration but still come to the council for planning permission. "It would be a very special type of partnership, based on a total willingness to work together," says Mr Mike Shields, the council's chief executive.

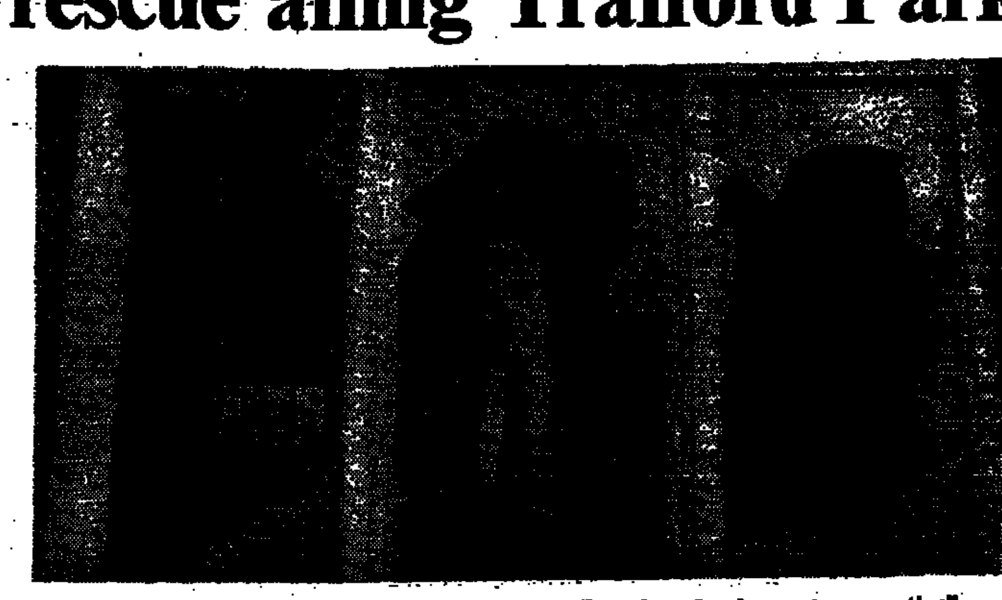
He argues that there are 562 businesses in the park, with planning regulations applying to all of them. The UDC would need to create a large department of specialists just to cope, whereas the council has the expertise and would be of like mind to the UDC.

None of this washes with Mr Westbrook, the lone voice against the council and the big guns in the park. He thinks the UDC is a good idea.

He says: "The big companies are in this for their own ends and the council wants to get control over the park and its statutory services like the railways, which the UDC would take over. I think the UDC should have a wider boundary than the park, taking in the opposite bank of the canal at Salford, and the area between the park and central Manchester. Then it would be more widely strategic."

The council is worried that this is exactly what Mr Ridley might do. The Salford land includes another enterprise zone and might also embrace the adjacent Salford Quays urban renewal scheme.

Despite municipal chauvinism, Mr Shields believes that Trafford and the Labour-controlled Salford councils could still work together. But any straying over the Manchester City Council border would doom the authorities' hopes of retaining planning control. Manchester is well to the left among Labour councils. It has declared its non-co-operation with any UDC.



Doug Edwards: "what is needed is a user-friendly urban development corporation"

Tackling the daunting task of brightening up the Black Country

THE PROBLEMS facing Britain's first two urban development corporations at Merseyside and the London Docklands must have seemed daunting. They pale, however, against the size and complexity of the issues that will confront the members of the board proposed for the Black Country.

Even the locals are not sure where the Black Country starts and finishes. It is distinguished by the richness of the accent — much fuller vowelled than the pinched dialect of the neighbouring Brummie — and the extent of urban dereliction.

It claims to have been the cradle of the industrial revolution and carries the consequent scars — a criss-cross of canals, humpback bridges, grass-covered railway lines, disused mine-shafts and rusting steelworks.

From Whitehall the view is distant—the Black Country comprises four metropolitan districts of the Labour-controlled West Midlands County Council, which is now defunct.

Wolverhampton, Walsall, Dudley and Sandwell suffer the excrescence of two centuries of industrial growth, which put the West Midlands in the forefront of the post-war boom. They spill over 140 sq miles with a population of more than 1m.

From Westminster there seems little political capital to be gained by a Conservative government from aiding a predominantly Labour area devoid of even marginal parliamentary seats.

Mr Nicholas Ridley, Environment Secretary and convinced private marketeer, has nevertheless given a lead.

The urgency of the task is apparent and there are hopes the boundaries could be identified and at least a provisional development corporation appointed by next autumn. Crucial to that timetable will be establishing a consensus about the role of the development corporation and its relationship, especially over planning, with four local authorities noted for their jealous independence.

Consultants are to be appointed by the end of November to report upon the area's problems and the most suitable strategy. The conclusions should be available by the spring.

Studies already abound. Colin Buchanan and Partners, in one commissioned a couple of years ago by the four district councils, pointed to the area's "collapse of manufacturing industry" and the "devastating fall in jobs."

It effectively recommended the Ridley solution—the setting up of a development agency to mobilise finance from both central government and the European Commission.

The vulnerability of the area, with about 70 per cent of its employment dependent upon metal-related manufacturing, was highlighted in a recent study conducted in association with the accountants Price Waterhouse, by the Marketing Research Centre of Wolverhampton Polytechnic.

Dr David Walker, who headed the study and is collating information from a new survey, says much restructuring has still to take place within manufacturing. Future growth will be led by the service sector, particularly in retailing, tourism and information technology.

Dr Walker, himself a Black Country man, welcomes the proposed development corporation as a way of uniting efforts in what he describes as an almost tribal region.

There is still a diversity of manufacturing, embracing the iron foundries of Smethwick and West Bromwich, glass-making at Stourbridge, and Walsall, still a centre for the leather industry.

The three big steelworks — Bilston, Patent Shaft, and Round Oak — might all have been silenced by recession, but redevelopment is planned or under way.

Nowhere is the change more dramatic than at Dudley, where, with the benefit of an enterprise zone, a retail centre is rising from the site of the old Round Oak works.

On an even grander scale, Color Properties, a Midlands-based development company, has plans for a 5.5m sq ft leisure, entertainment and shopping centre to reclaim a derelict site in Sandwell. The project, intended as a national and regional tourist attraction, would provide direct employment for 25,000.

Such private sector initiatives are desparately needed in an area starved of investment.

Mr David Frost, Walsall Chamber of Commerce director, insists: "It is largely a question of channelling in the resources needed to realise the enterprise that has always been such an important factor in the life of the Black Country."

Industry more upbeat, but jobs outlook gloomy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A MORE OPTIMISTIC view of the outlook for British manufacturing industry, *forecasting some recovery* in orders and output in the next *few* months, was made yesterday by the Confederation of British Industry, the employers' organisation.

The companies polled in the CBI's latest Industrial Trends Survey said that Britain's consumer spending boom had improved prospects at home while sterling's depreciation had boosted sales opportunities abroad.

Manufacturing industry remains gloomy, however, about the outlook for employment, and the CBI suggests that a further 8,000 jobs a month could be lost during the next *four months. Companies also* believe that the low-point of Britain's inflation rate has now been passed although they expect upward pressure on prices to remain relatively modest in the immediate future.

The CBI said that the responses *to the survey's questions* on orders and output confirmed earlier hopes of an upturn around the turn of the year. It is now predicting that output in the last quarter of 1986 will be 1 per cent higher than in same period last year.

Mr David Wigglesworth, chairman of the organisation's Economic Situation Committee, warned, however: *"Expectations of improved* orders and higher output must be tempered by worries about the very high interest rates and the continued volatility of exchange rates."

He added that the rapid growth *in consumer spending was tending* to suck in imports, which the CBI expects to lead to a significant deterioration in Britain's trade position. The current account of the balance of payments is forecast to show a deficit of £1.7bn ($2.43bn) next year compared with a surplus of £1.5bn in 1986.

The CBI believes, however, that productivity in British manufacturing industry is improving much faster than the sluggish pace suggested by official statistics, a trend which Mr Wigglesworth said could be as important as a weaker pound in improving export performance.

Over the short term there is evidence that British exporters are capitalising on sterling's depreciation by pushing up their prices rather than through exports

There is also evidence that in the domestic market British manufacturers are reacting to higher import prices by pushing up their own prices rather than seeking a bigger market share. The number of companies intending to raise prices is far higher, for example, in the consumer goods sector than elsewhere.

The survey shows that around half of Britain's manufacturing companies are still working below *capacity while the vast majority* planning new investment intend it to increase efficiency rather than to expand output.

Arbitration body speeds maritime case hearings

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MOVES TO increase London's attraction as a leading centre for international maritime arbitrations were announced yesterday by the London Maritime Arbitrators Association.

The association has drawn up new ground rules designed to streamline and speed arbitration procedures, making them more efficient and so reducing the cost of resolving disputes.

Foremost among the new terms is one – described by the association as "revolutionary" – setting out the time that parties will have to wait between fixing a hearing date and the hearing itself.

Arbitrators will have to fix a hearing within a reasonable time after the date at which the case is expected to be ready for trial. For example, the reasonable time in the case of a dispute estimated to last three to five days will be six months.

Small companies 'leading high-tech job stakes'

FINANCIAL TIMES REPORTER

GOVERNMENTS should stay out of the business of planning new industries and leave this activity to entrepreneurs, *Lord Young*, the Employment Secretary, said yesterday.

"Governments do not have a good record when they get involved in the details of commercial decisions," said Lord Young.

The Employment Secretary was speaking at a Financial Times conference in Cambridge, called Financing Tomorrow's Winners. The conference focused on the mechanisms needed to promote new high-*technology companies in Britain.*

A highly important change in recent years, said the Employment Secretary, had been the shift *in attention* from large corporations to the small companies sector. He said that "the mindless worship of sheer scale" in industry was at an end.

Too many mega-mergers had shown disappointing results in promoting competitiveness, stated Lord Young. Small companies, furthermore, had in general provided many more new jobs than large ones.

Lord Young also saw more opportunities for private sector concerns to get involved in funding small technology-based businesses where the risks involved were too great for the entrepreneur alone.

No-one should be disappointed if some of the new companies failed after a few years, *according to Lord* Young. "A strong growing economy needs bankruptcies and liquidactions," he said.

Dr Nick Segal, partner in Segal Quince and Wicksteed, consultants in high-technology industry, highlighted the importance of techniques to help small science-based companies to grow to a significant size. Referring to the *400* technology-based companies in Cambridge, he said that about half of these had *started* in the past five years, creating 3,000 jobs. On average these concerns were growing at a healthy rate of 30 per cent a year.

Of the total of 400 companies, probably only a handful would grow to large concerns of an international stature.

Dr Segal reminded the conference that of the 3,000 electronics companies in *Silicon Valley* in California, only 54 had more than 1,000 employees.

CONFERENCE

Financing tomorrow's winners

It was difficult to imagine that *many of the Cambridge companies* would emulate concerns such as Hewlett-Packard, which had grown very fast to become dominant in the world's electronics industry.

Mr Daniel Holland, partner in Morgan, Holland, a venture capital company in *Massachusetts, said* that observers of UK high-technology industry could draw lessons from the growth of the electronics and computer companies in the Boston area of the US.

The role of academic establishments such as the Massachusetts Institute of Technology had been highly important in the case of Bos*ton in providing a stream of scien*tifically orientated entrepreneurs to set up businesses soon after the Second World War.

A vigorous venture capital industry had also been crucial. Of the $20bn a year being invested in the US by venture capital concerns, about $8bn was controlled by organisations in the north-east of the US, centred on Boston.

The fact that Boston was a pleasant town with attractive countryside nearby was another factor in attracting entrepreneurs to set up in the area.

Dr Bill McRae, joint managing director of Cambridge Life Sciences, spoke of the difficulties that some technology-based compa*nies face in raising capital.*

The company, which sells diagnostic kits and medical instruments, had wasted a lot of time, said Dr McRae, in talking to financial institutions which did not know much about science and technology.

He said that financial institutions in the US were in general more keen to take an adventurous approach in investing in relatively risky areas, involving new applications of science.

Mr Peter Woodsford, managing director of Laser Scan, a Cambridge-based company which sells computerised mapping systems, said his company "was grappling with problems of scale."

Having reached annual sales of £4.4m, it was on the threshold of turning into a large company but was encountering difficulties in *selling its products in a highly* competitive market.

Mr Chris Angus, technical director of Prosys Technology, a computer-aided design company in Cambridge, told the conference of its generally good experience in gaining from the venture capital industry.

He said it was important for high-technology companies to build up a lot of information before finalising deals under which they gave equity stakes to outside bodies.

Proceeding from the early start-up phase to the stage where the company began selling products in earnest *on the world markets could* lead to tremendous pressures for management, Mr Angus said.

Mr Peter Marsh, technology correspondent for the FT, said that the pattern of formation of technology-based companies in Britain was increasingly favouring the relatively better off areas of the south-east and south-west of England as opposed to *the depressed* regions of the north.

Of the 325 new computer companies *started* between 1975 and 1984 about two thirds had been in the southern areas of the country.

Ms Susan Lloyd, managing director of Venture Economics, a company of consultants, sketched out what she called the vigorous growth of the venture capital *industry* in the UK.

According to Ms Lloyd there were now *125 specialist venture* capital organisations that were investing in new and existing companies at the rate of about £400m a year.

The number of venture capital organisations, many of which expressly support high-technology ventures, had grown fourfold since 1981. Venture capital firms had raised nearly £1bn *over the past six* years, principally from UK pension funds.

Hint of easier university funding

By Tom Lynch

FUNDING for universities in the next financial year may be more generous than the Government's critics fear, Mr Kenneth Baker, *the* Education Secretary, hinted in the Commons yesterday.

He was responding to Mr Giles Radice, Labour's education spokesman who said cuts in financing of universities since 1981 "are bringing many universities to the brink of bankruptcy. There has got to be a U-turn in policy."

Mr Alf Dubbs (labour) complained that many universities faced cuts in staffing and departments due to financial deficits.

Mr Baker said necessary changes had been made over the last *few* years in the attitudes and priorities of universities. He said Mr Radice should wait for the statement on university funding he hoped to make soon.

● The London Business School has been given full university status in *its own right by the award of a Royal* Charter of Incorporation by the Privy Council.

Hanson faces dissent on Courage pensions

BY ERIC SHORT

A MEETING of Hanson Trust's shareholders today to approve the £1.4bn sale of the Courage brewery business to Elders IXL is likely to be marked by dissent from Courage employees and pensioners over the terms of transfer of the pension scheme.

Hanson is proposing to transfer *sufficient assets to cover the* liabilities of the scheme, but to retain the surplus within the group. At the last actuarial valuation in April 1985 the three Courage pension schemes had a combined asset value of around £230m and liabilities of £150m – representing a surplus at that time of £80m.

Mr Martin Taylor, a director of Hanson Trust, *said yesterday that* an up-to-date actuarial valuation had not yet been completed. Nevertheless, given the buoyancy of world stock markets since April last year, the current surplus could have reached £100m.

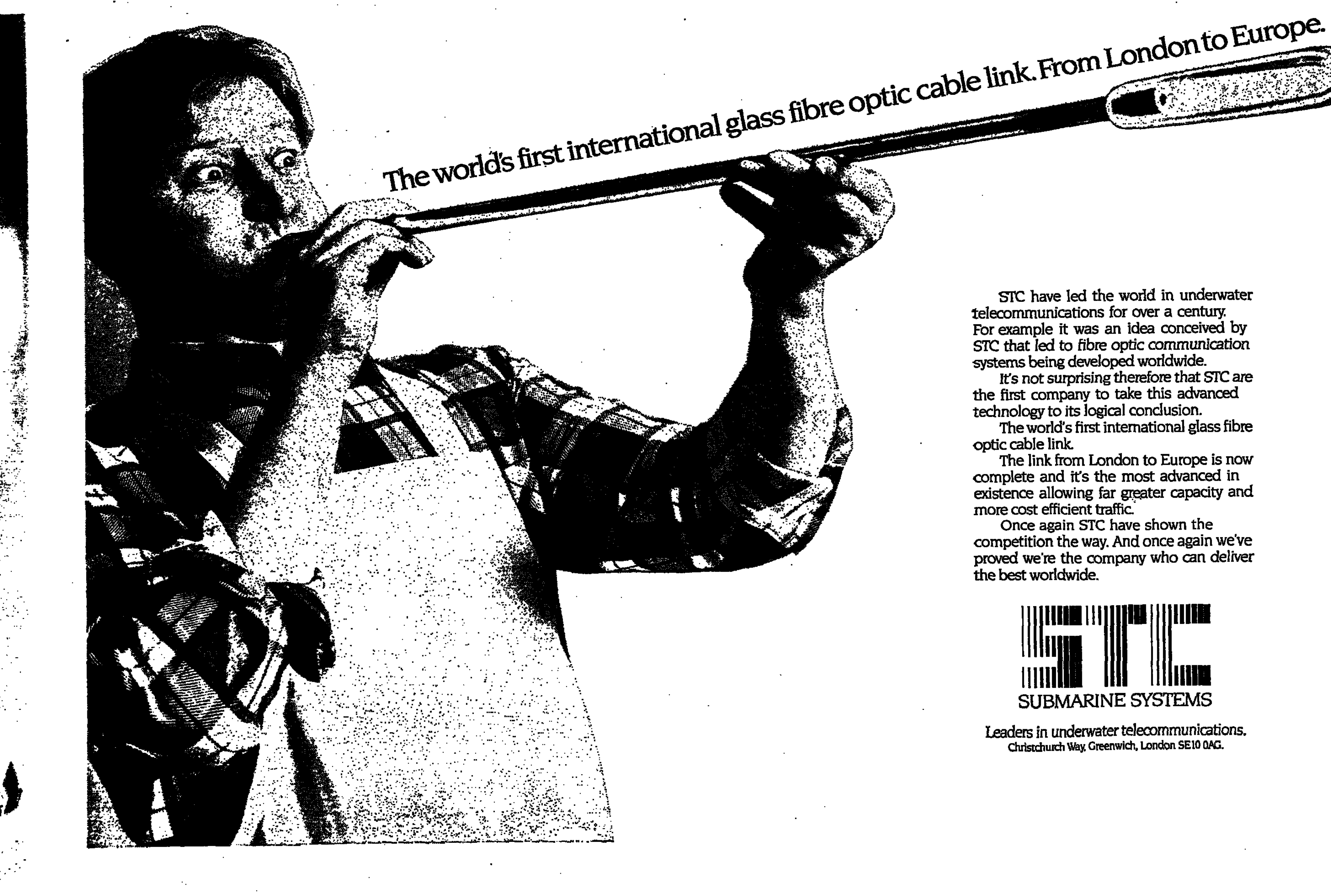
Mr Taylor and Mr Andrew Cummins, corporate finance director of Elders, have assured Courage employees that they have nothing to fear in terms of pension entitlement. These statements have not reassured Courage employees or pensioners nor the Transport and General Workers' Union.

The union's attitude is based upon what is held to be a general principle that any surplus belongs to members of a pension scheme and that Hanson should at least enter discussions with employees and their trade union representatives over the disposal of a surplus. Employees and pensioners, meanwhile, fear that Courage's new owners will take a much less positive attitude to the level of pension benefits.

Courage was part of the Imperial Group, which Hanson acquired earlier this year in a bitter takeover battle. Imperial had the justifiable *reputation of being one of the best* employees in respect of pension provision. It went far beyond meeting minimum pension benefits as laid down in the trust deed.

In addition to providing high level pension benefits, it revalued pen*sions in* payment to pensioners (and also deferred pensions to former employees) in line with the Retail Price Index – a policy that meant going beyond the basic entitlements laid down in the trust deed.

Pension scheme benefits are controlled by the terms of the trust deed and these tend to be inadequate over rights on transfer of ownership of the company, or in a winding up.



UK NEWS

Soft drinks battle lines are drawn

Christopher Parkes studies a shift of power which has produced two clear leaders in the British soft drinks war

THE BRITISH soft drinks industry was a sorry, fragmented thing in December obsessed by production and distribution and relatively little concerned with marketing. The leading manufacturer, Cadbury Schweppes, had 12 per cent of the market. The rest – about 150 of them – trailed in its wake.

Yesterday the business was transformed by a series of quick-fire exchanges which establishes two clear leaders sharing some 50 per cent of the £2.5bn-a-year trade, and threatens smaller manufacturers with either extinction or confinement in small specialist and regional markets.

As well as polarising the indigenous industry, the exchanges also give Pepsi-Cola and Coca-Cola firm new bases from which they should be able more effectively to wage their long-running "cola war." Coke currently outsells Pepsi by a ratio of about four-to-one in the UK.

The restructuring pivots around the Beecham Group's £120m sale of most of its soft drinks interests to Britvic, and the surrender of its Coca-Cola franchise to a joint company to be set up by Cadbury Schweppes and Coca-Cola.

It is enhanced by Pepsi-Cola's taking a 10 per cent stake in Britvic Soft Drinks, a recently established joint venture between three of Britain's leading brewers, Bass, Whitbread and Allied-Lyons. Britvic will in future be known as Britvic Corona.

Cadbury Schweppes gave Pepsi notice to find itself a new distributor last December when it initialled an agreement to link up with Coca-Cola.

Early estimates suggest that Britvic Corona, which will handle the Pepsi and 7Up ranges, Britvic juices and mixers, R. Whites lemonade, Shandy Bass, Canada Dry, Corona, Tango, Hunts, Idris and Quosh brands, will control some 20-odd per cent of the UK carbonated drinks market. The Schweppes and Coca-Cola ranges will account for about 25 per cent.

Mr Dominic Cadbury, Cadbury Schweppes chief executive, gave some indication of things to come when he said yesterday that he aimed to capture 33 per cent of the UK carbonates market – worth some £1.8bn in 1985 – by the end of next year.

Mr Ken Richards, chairman of Britvic, offered no specific targets, but he promised promotional spending next year of about £20m for the group's ranges. "The moves mean that the restructuring we signalled 12 months ago has now taken effect. There were simply too many people competing and not getting anywhere," Mr Cadbury said. "There are still too many, and I wouldn't be surprised to see the numbers fall."

There would also have to be some rationalisation with Cadbury's operations in order to bring through the benefits of the link with Coca-Cola. Redundancies would have to follow, he added.

On the face of it, the Coca-Cola-Schweppes grouping appears to have an edge in that the link has been longer in the forging, involves a relatively clean join between two particularly strong brand names, and includes some of the best production facilities in Europe. Coca-Cola's latest canning lines, for example, can fill up to 2,000 cans a minute compared with the 500-odd which is the best Britvic can boast.

However, the new-look Britvic has a wider range which includes many strong brands with development potential, and something of an advantage in that its Beechams buy brings with it a sophisticated national distribution link with the retail trade, cash-and-carries and conventional wholesalers which will complement its strong hold in the pubs and off-licences tied to the Bass, Allied and Whitbread estates.

Mr David Laing, of stockbrokers Henderson Crosthwaite, believes yeasterday's announcements signal the start of a new marketing era in the industry. "Schweppes has been pretty indifferent, and Beechams was never really a marketeer in soft drinks," he said. The whole market had been unexciting and low key, suffering from poor leadership, massive over-capacity and fragmentation. However, the changes gave an opportunity to release the market's "tremendous potential," he said.

Coca-Cola had been disappointed with its results in the UK and would be sure to invest heavily in its new venture. Pepsi could be counted on to attack.

Mr Peter Kendall, head of Pepsi's operations in northern Europe, claimed that the link would immediately triple Pepsi-Cola's distribution in the UK. "The new venture represents a coup for Pepsi in the ongoing cola wars. Now we'll have the muscle to get our products distributed to three times as many restaurants, pubs and retail stores," he said.

He emphasised the significance of his company's 10 per cent stake in Britvic Corona – the first Pepsi has ever taken in any overseas bottling operation – saying it reflected the importance of the British cola market.

Claiming that Pepsi had been the catalyst which led to the formation of Britvic Corona, he said Pepsi had effectively check-mated Coca-Cola's bid to strengthen its position in the UK by associating with Cadbury Schweppes. "What others thought might have been a set-back for Pepsi in the UK has been turned into the biggest opportunity we have ever had to increase brand sales here," Mr Kendall said.

City willing to move beyond historic core

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE CITY of London authorities yesterday signalled a start to major redevelopment of London Wall, a street of 1960s buildings already becoming obsolete in the north of the City.

The planning and communications committee of the City of London recommended that permission should be given to MEPC for a £150m development which involves the demolition of a derelict office building, Lee House, and the construction of a new building which will bridge London Wall.

This is the first planning permission which has come through for a series of major developments on London Wall. It is seen as an indication of the City's readiness to promote new buildings outside the conservation area, the historical core of the City.

The City authorities are in discussion with Guardian Royal Exchange and a Wimpey Property-Wates City of London Properties joint venture for three other schemes which would also bridge the street.

There are three other projects for London Wall in the planning stage, but these do not involve spanning the street.

These planned developments are consistent with the City policy of hastening development around the edge of the traditional financial centre. They are mirrored to the south by the projects coming to fruition along Upper Thames Street, by the river.

Underlying this thrust is fear that *financial institutions might be lured* away to Docklands in the east. They are also a response to the pressure on office space more generally.

The new MEPC building will be called Alban Gate. Offices – 348,000 square feet of total space – will be spread over 17 storeys with floors of up to 30,000 square feet.

The development, designed by the Terry Farrell Partnership, also involves public piazzas, shops, restaurants, a new livery hall and some residential accommodation.

Demolition of the 21-storey Lee House, now sitting empty and bleak, should take place early next year with the main building work starting about June.

Sacked journalists reject Murdoch offer

BY OUR LABOUR STAFF

JOURNALISTS SACKED by Mr Rupert Murdoch's News International have voted to reject the company's compensation terms offered to 20 members of the National Union of Journalists (NUJ) who refuse to work at the company's high technology plant at Wapping, east London.

A meeting of former News International journalists yesterday endorsed their union executive's decision to reject the management offer, taken at the weekend. A statement from the journalists said the offer was totally unacceptable both collectively and individually.

NUJ officials have been instructed to continue their policy of obtaining a choice of either reinstatement or compensation for dismissed journalists.

The sacked members are calling on the company to reopen negotiations with the print unions, and have stipulated that any settlement of the NUJ dispute should be reached only "alongside a wider agreement covering all groups involved in the dispute."

● The National Graphical Association (NGA) has paid more than £3.8m to members in official dispute over the past two years, according to figures published in Print, the union's journal.

Dispute benefit has cost the union a total of £5.9m in the past 10 years – £3.8m of which has been paid since September 1984. The sharp rise in payments came in the wake of the union's conflict with Mr Eddie Shah's Messenger group in Warrington. Since then, the union has funded lengthy disputes at the Wolverhampton Express and Star and the Kent Messenger.

Since January this year, 850 NGA members sacked by News International after going on strike, have been paid benefit – putting a further drain on the union's resources.

MPs ANGRY AT FAILURE TO ACT OVER TERRORISM

French stance on Syria attacked

BY IVOR OWEN

FRANCE'S failure to give a decisive lead in backing Britain's demand for collective diplomatic action by all the members of the EEC to mark their condemnation of the Syrian Government's involvement in terrorist activities in London was strongly attacked by Conservative backbenchers in the Commons last night.

Mr Nicholas Soames (Conservative), son of Lord Soames, former British Ambassador in Paris, clearly expressed the view of many government supporters when he described the attitude of EEC Foreign Ministers at their meeting in Luxembourg on Monday as "tardy, timid and, above all else, fatuous."

He complained that the behaviour of the French had been particularly craven and contended that if the Community could not rally round when called on to fight terrorism, there could be little hope of it establishing a coherent policy on anything.

Both Mrs Margaret Thatcher, the Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary, linked their diplomatically couched admissions of disappointment at the outcome of the Luxembourg meeting with expressions of hope that the EEC Foreign Ministers will show more resolution at their next meeting, due to take place in London on November 10.

Sir Geoffrey's confirmation that, if necessary, Britain will use its veto to prevent the renewal of EEC aid to Syria – involving £100m over five years, starting from the beginning of next month – was firmly backed by Mr Denis Healey, Labour's foreign affairs spokesman.

They were also in agreement in underlining the serious implications of the absence of any arrangements for a friendly government to protect British interests in Syria following the severing of diplomatic relations between London and Damascus last Friday.

Sir Geoffrey Howe

Investor protection backing

By Nick Bunker

LOBBYISTS for banks and building societies have been sharply criticised by the Consumers' Association for trying to water down the UK's new investor protection rules.

The Consumers' Association said that the Securities and Investments Board, the chief investor protection watchdog body, should resist pressure from banks and building societies to change its proposals for the "polarisation" of financial intermediaries marketing life assurance and unit trusts.

The Consumers' Association said in a letter to Sir Kenneth Berrill, the SIB's chairman, that the banks' arguments against polarisation were spurious.

It said similar arguments put forward by the Building Societies Association "would quite frankly be laughable – if the implications weren't so alarming."

The polarisation proposals were advanced by the SIB six months ago. They would oblige financial institutions selling life assurance and unit trusts to choose to act either as independent intermediaries, selling products from a wide range of companies, or as tied agents, selling only their own in-house products.

The SIB believes this clarity of status is essential if consumers are to be protected from receiving biased advice.

Banks and building societies have opposed the SIB's proposed rules on the grounds that they would restrict consumer choice.

Toshiba praises union deal as model of industrial harmony

BY DAVID THOMAS

MR SHOICHI SABA, chairman of Toshiba, the Japanese electronics group, yesterday praised the company's industrial relations agreement with the electricians' union EETPU at its plant in Plymouth, in the west of England for showing that the UK need not have conflict between management and unions.

Mr Saba, speaking at a ceremony at the Plymouth factory to celebrate the production of Toshiba's one millionth television in the UK, said the factory had not lost a minute because of industrial action since 1981, when Toshiba first moved into the UK. "I thank the EETPU for their most valuable contribution," Mr Saba said.

The Toshiba chairman said the company had been worried about the UK's reputation for poor industrial relations before moving to Britain, but these worries had been dispelled. He argued that both the managers, who were open with their work force, and the EETPU were responsible for this.

Toshiba's agreement was the first of its kind in the UK to include acceptance of a single union, arbitration on the pendulum principle (under which a choice is made between the management's or union's final position), disclosure of information and flexibility of working practices. The EETPU has since struck similar agreements with other Japanese companies in Britain.

Dr David Owen, Social Democratic Party (SDP) leader, and a Plymouth MP, also praised the EETPU and said that many people were now interested in what had at first been seen as an industrial relations experiment in Plymouth.

Toshiba's two plants in Plymouth now employ about 1,000 people, compared with 270 in 1981. It is making 400,000 TV sets a year, compared with 76,000 in 1981.

Mr Eric Hammond, EETPU general secretary, said: "There is a stability and expansion of employment which really shows that what we've been about here is going in the right direction."

Sumitomo to offer mortgages

BY DAVID LASCELLES, BANKING CORRESPONDENT

SUMITOMO Bank, Japan's second largest bank, is to offer mortgages to UK homebuyers. The move is believed to be the first attempt by a Japanese financial institution to enter the UK market for personal banking services.

Mr Shumichi Okuyama, joint general manager of the bank's London branch, said yesterday that Sumitomo intends to be a long-term supplier of mortgages, and would be concentrating on the wealthier end of the market.

The Japanese bank's commitment is to be open-ended: it will meet whatever mortgage demand it can generate which meets its lending criteria. Mr Okuyama said it will not offer cheap loans to attract new clients, and would charge all its borrowers the same rate of interest, currently 12.25 per cent.

Sumitomo has a reputation as one of Japan's most aggressive banks. It has a loan portfolio of more than £6bn in its London branch, and has been at the forefront of the Japanese banks' successful attack on the UK business market.

Mr Okuyama was keen to dispel fears of price-cutting for two reasons. Several foreign banks have entered the UK home loan market in the last two years by offering cheap mortgages, and then pushing up the rate once borrowers are locked in. Japanese banks have upset UK banks with their aggressive tactics in the corporate loan market, and have provoked calls from senior UK clearing bankers for closer regulation of their activities.

Sumitomo will initially offer mortgages in the southeast of the UK, with minimum loans of £30,000. They will be marketed through three insurance companies, Standard Life, Scottish Mutual and Provident Mutual. The bank has hired UK personnel from building societies and insurance companies to run the business.

Mr Okuyama said Sumitomo has no plans at the moment to expand further into UK retail banking, and would not be opening any new branches beyond its present offices in London and Birmingham.

UK NEWS

French to brief British on satellite broadcasting

BY RAYMOND SNODDY

THIRTY leading British media organisations have been invited to France to be given a detailed briefing on the French direct broadcasting by satellite (DBS) project.

The French hope to persuade British companies to invest in the company which will market the five new channels of television offering coverage of much of Western Europe.

Mr Robert Maxwell, chairman of Mirror Group Newspapers, and his deputy, Mr Bryan Cowgill, have been invited, as have most of the applicants for the British DBS franchises whose applications are now being considered by the Independent Broadcasting Authority.

Mr Cowgill confirmed yesterday that MGN would be represented at the meeting organised in Paris by Telediffusion de France (TDF) the French transmitter organisation.

Since the French Government overturned an agreement to lease two channels on the French satellite to a consortium led by Mr Maxwell, MGN has been looking more towards the Luxembourg satellite project Astra than TDF-1.

Mr Jim Hodgetts, a consultant for TDF on the DBS project, said yesterday that TDF would probably look kindly on any new application from Mr Maxwell to be a member of the satellite marketing company.

Investors in the marketing company will have priority for use of TDF-1 AND TDF-2 channels. TDF has particularly keen to have British investors in what is a Europe-wide project.

The marketing company will be leased the TDF-1 satellite, which is already built, for a token amount. In return it will have to take on all the costs of building and launching TDF-2 – the essential back-up satellite.

TDF puts the total cost at FFr 1758m (£186.8m). The organisation gives a tentative schedule which envisages TDF-1 being launched next summer and becoming operational in December 1987.

About 300m people should be able to receive the channels from TDF-1 with a satellite receiving dish 0.9 metres in diameter. That would include all of the UK and Ireland, apart from the extreme north of Scotland, and stretch as far as the south of Italy. Each channel on the satellites will have at least four audio channels

Prince Charles urges builders to exploit the inner cities

FINANCIAL TIMES REPORTER

PRINCE CHARLES yesterday called for an end to the short-sighted economic arguments "that led house builders to concentrate on protected (green belt) land and told an audience of 650 house builders: "It drives me mad that others seem blind to the potential of the inner cities."

He called on builders to take "a bold step, a leap in the dark, if you like," to act as "a catalytic force to unlock the potential of inner city communities." Prince Charles was speaking at the National House Building Council's 50th anniversary conference in London.

"It always seems to me crazy that the building industry spends a great deal of energy in trying to secure greenfield sites which, from an overall national economic point of view, are far more costly to develop than derelict sites," he said.

It was worrying that at the current rate of building, farmland would be totally lost within 200 years. "What is the point of using up a valuable resource in pursuit of what is not even a real overall cost saving?"

The Prince added: "Concentrating efforts on green pastures and leaving the inner cities to fester results in an ever increasing spiral of decay."

He said the "social manifestation" of this was poor schools, bad hospitals, lack of facilities resulting in ill health and despondency among people who had to live there.

"With such conditions the housing industry seems a little unwilling to invest the majority of its efforts in these under-resourced areas." Prince Charles said the building industry had the power and money to improve conditions and should look to the unemployed of the areas for a ready workforce full of enterprising ideas.

Hot rocks may yield cheaper electricity

By David Fishlock

ELECTRICITY generated from steam raised by the natural heat of the earth's crust – "hot rocks" – could be cheaper than coal-fired electricity in Britain, although not so cheap as nuclear electricity.

This is the main conclusion of the Government's latest economic appraisal of its research programme into hot rocks as a natural energy source.

The Energy Department is spending another £5.85m on two more years of investigation at its drilling site in Cornwall, and another £1m for support studies, making hot rocks its most generously funded natural energy source.

A major review of its economic viability will take place next year, Mr David Hunt, minister responsible for renewable energy told parliament yesterday.

A report from the department's energy technology support unit concludes that electricity generated from steam raised deep in granite rocks beneath Britain could be as cheap as 4.2 pence per kilowatt-hour.

But it warns of big uncertainties in many of the underlying assumptions in this figure, particularly in the cost of drilling hard rock deep enough to tap heat at a useful temperature.

It is also uncertain whether a sufficiently free path can be established for the water pumped down to circulate through the rock and return to the surface without large losses.

* *An economic assessment of hot dry rocks as an energy source for the UK. HMSO. £10.*

JOBS

Further laws of organisational stupidity

BY MICHAEL DIXON

"I ENJOYED what you've been writing about laws of organisational stupidity," chirped an acquaintance met in the City of London the other day. "Good joke, what?"

The Jobs column gave him the evil eye. "It's in deadly earnest," I snapped . . . then began worrying that he might not be alone in the mistake. Certainly the seriousness of the laws project seems to be appreciated by the 156 readers who have sent in proposed laws of their own. But as there might be others among you who share the delusion revealed by the City gent, I had better explain.

Perhaps the most striking definition of *big organisations* is the one produced by the American novelist Herman Wouk. He called them "machines designed by geniuses to be run by idiots."

While that definition tends to appeal to the few who set up and direct large organisations, a somewhat different view is usually taken by the multitudes of us who merely work in and otherwise suffer under them. We do not need to be menials to fall into the multitudinous category—as will no doubt be known, for instance, by readers responsible for managing a production or sales operation in a group directed from elsewhere.

The topmost few, in Government as well as other fields, clearly feel they are qualified for the genius role. One of the reasons for their confidence seems to be that they have become convinced the complexities below can be remotely controlled by use of the laws of economics and other nostrums of so-called social science.

To us who have to operate underneath, every day brings fresh confirmation that those nostrums do not work well in practice. The ordinances sprinkled down from the top as applications of economics and such are apt to congeal around us as organisational stupidities.

Hence the project to codify them as laws. For if we can come to understand them better, we might be able at least to neutralise them. That is the aim anyway. I am pursuing it, not in any revolutionary spirit but in the hope that those responsible for actually doing the world's work will one day be less systematically hindered from doing it properly.

It is admittedly a slender hope. Whereas armies of eggheads are employed at taxpayers' expense to study and refine the nostrums favoured by the geniuses, there appear to be only 157 of us idiots trying to pin down organisational stupidities.

But I feel sure there is a chance — always provided that the laws admitted to the canon can be seen to be at least as reliable as the laws of economics in predicting what happens in reality. And as I seem to have landed the job of project co-ordinator, it is surely my duty to see that the requirement is met.

Which is where I start to fear that, within seconds, some of the readers who have submitted proposals will feel inclined to punch me on the nose. For they are soon going to find out what I have done to them.

Knuckle-dusters

Before they reach for the knuckle-dusters, however, I hope they will accept that I have had too much on my plate to consult them and obtain their agreement before altering their formulations. Even by taking short-cuts I have managed to winnow out only five more draft laws — themselves subject to correction and improvement by readers — to add to the 11 I put forward on September 4.

Finding tolerably satisfactory forms of words has been a difficult task. It is not unlike the one faced by the leaders of the Flat Verse Movement some decades ago, who set out to perfect a new kind of poetry obeying the rule that it must tell the truth, the whole truth, and nothing but the truth.

Although many would-be members of the movement submitted candidate poems, these often infringed the rule. So the leaders decided to correct them to conform with it. Take for example the following effort, sent in by a poet in the dizzying heat of inspiration:

In the 19th century
Queen Victoria lived.
As far as can be ascertained,
By all this is believed.

To a sober eye the errors are plain instantly. To say Queen Victoria lived in the 19th century is not the whole truth. She died in 1901 and so, unlike her consort Prince Albert, also lived in the 20th. Moreover, it is not true that, as far as can be ascertained, all believe Queen Victoria lived at whatever date. Many people in the world clearly have never even heard of her.

The movement's chiefs therefore amended the poem to read:

In the 19th century
Albert, Prince Consort, lived.
As far as can be ascertained,
This is not disbelieved.

I have done something roughly similar in the case of the first of today's extra laws. As submitted by Peter Kelly of Dublin, it read simply: Errors breed. But while they do so in some circumstances, it is clear that in others they arise intermittently with no connection between them.

The key difference may well lie in an extension of the theory of the American psychologist David McClelland. He holds that people may be divided into those motivated by a need for positive achievement who tend to treat their errors as opportunities to try again and do better; and those motivated by a fear of failure who tend to be haunted by their past mistakes.

Self-destructive

It seems reasonable to speculate that in organisations with an achievement culture errors will be intermittent. In those riddled with fear of failure, on the other hand, Kelly's "Katabolism" — a biological term for a self-destructive kind of metabolism — will hold true. I have therefore altered it to:

Errors breed as concentration on avoiding them increases.

The next two laws have been winkled out of a most scholarly paper sent in by the British sociologist Jack Winkler. Among the many cogent things the paper says is that if rewards become so routine that people expect them as a matter of course, they have no motivating effect except as a punishment to those who don't receive them. The same applies, but in reverse, to over-regular punishments.

Hence Winkler's Twist: *Routine responses motivate only those they are withheld from.*

The paper also points out that to seek greater output by splitting the task of producing a finished product between numerous jobs tends to put the whole caboodle at increased risk of breakdown. Which gives rise to Winkler's Wrecker: *Division courts disruption.*

A further law, contributed anonymously, is called Doyle's Damper because its basis is a comment by Sir Arthur Conan Doyle at the end of the first chapter of The Valley of Fear. The Damper states: *Mediocrity can recognise nothing better than itself.* This law is especially damaging when it operates in conjunction with the previously codified Peter Principle which holds that people are promoted so as to wield their greatest influence at a level of work in which they are incompetent.

The supplier of today's last law, who is also anonymous, works for another newspaper which, if it were not for the omission of the word "Financial," would have a title very like that of the one you are reading now. The law is Evans's Ejector: *After any voluntary redundancy programme, the staff needed to do a given quantity and quality of work will be larger than before.*

The contributor adds that the operation of Evans's Ejector is invariably followed sooner or later by Rupert's Riposte — namely, "Out!"

Jonathan Wren

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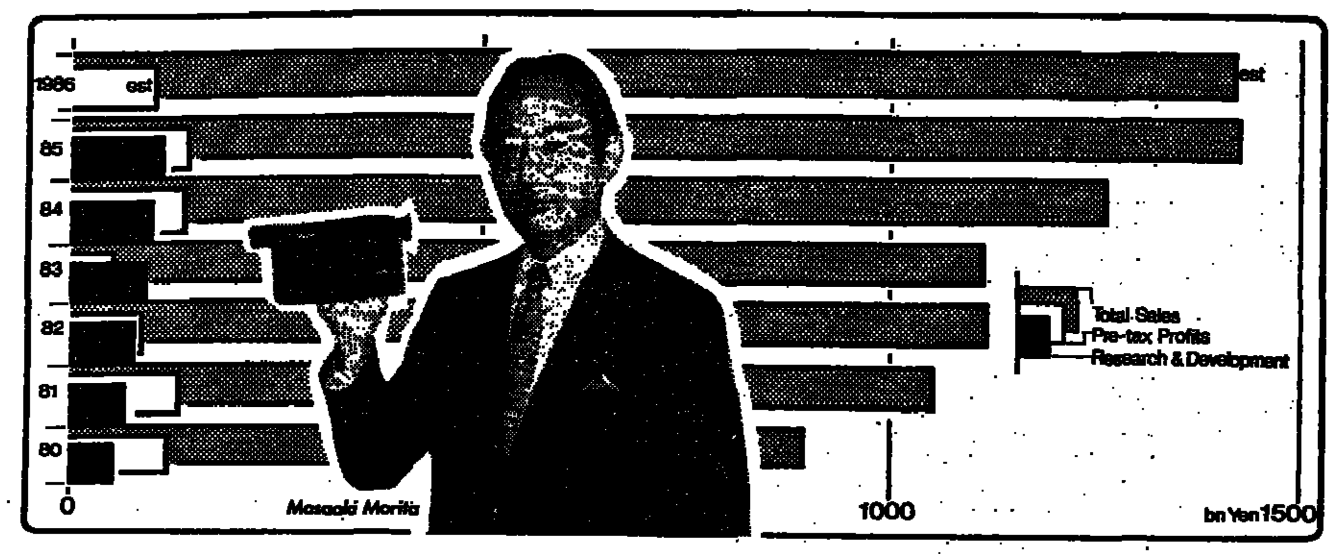
MANAGEMENT

Sony

Set for a miniature revolution

Carla Rapoport explains the Japanese giant's plans to take Video 8 into the streets



CAN SONY do it? Can it take a product of which most people have still not heard and turn it into a multi-billion dollar market?

Fans of Japan's best-known electronics company can no doubt tick off the products that already provide an answer to the above question: the Sony Trinitron television, the Sony Walkman, the home video tape recorder, among others.

But despite all these successes, Sony is now facing one of the most critical periods in its history. Video 8, as the new product is called, is not just another new Sony gadget. It is a key element in an all-out push by Sony to regain control of the huge VCR market worldwide, to diversify, at last, beyond the consumer market, and to return to a solid profit growth path.

Sony's plans for Video 8 are little short of remarkable, considering the problems the company has had in recent years. Top executives claim that it can turn a 35 per cent penetration of VCRs in major markets to a 75 per cent penetration within five years.

"We've reached the video cassette horizon where audio was 15 years ago," says Kazuyuki Shirakura, managing director, consumer products. The current VCR format, he says, is physically too large to expand the video market. The key is miniaturisation, both of the cassette and the VCR. The Video 8 cassette is about the size of an audio cassette; the most popular video cassette in use today — the VHS format — is about the size of an average hardback book, rendering the current VCR deck into the non-portable category.

Sony wants to do for video what it did for audio, that is, take it into the streets. Thanks to the tiny size of the Video 8 cassette (8 comes from 8 mm, the width of the videotape), Sony has designed a VCR deck which is little bigger than the video cassettes currently in use. It doesn't take much imagination to see what's coming. For example, videoman, a VCR deck incorporating a small screen which commuters could take on a train, air travellers could find at their seats and no doubt, a generation of young people will find essential to their life and well-being.

Currently, about 100m homes worldwide own a VCR, but the market is growing slowly and profitability for manufacturers is now on the decline. "Within 4 or 5 years, 8mm will exceed ½ inch (the current best-selling format) in terms of production. If we can achieve that, we can double the market," says Shirakura.

That's the dream, anyway. And this time, Sony intends to be on both the component as well as retail end. The company aims not only to convince consumers to switch to the new, handier format, it also plans to convince VCR manufacturers to jump on the 8mm video bandwagon and buy the components it needs from Sony. For the time being, this looks like rough going, considering the investment most manufacturers have in the VHS format. Nonetheless, this time Sony does have an international format agreement on 8mm.

But, can Sony do it, particularly since few of the signatories to the international format agreement seem as keen as Sony on exploiting 8mm at the moment. Before considering its strategy for achieving these demanding goals, it is useful to consider why Sony needs a big win with Video 8.

Sony is a flamboyant post-war child of the electronics industry, with a reputation for being both a maverick and a hot-shot engineering company. It stuck with consumer electronics because it preferred to engineer the next, best product, to make its profits in the product's early life and leave mass merchandising to the bigger players. It would then go to work on the next best product.

It was so anxious to hold on to its technology and ideas that it declined to make its products for anyone's label but its own. The giants, like Matsushita Electric (maker of National and Panasonic brand names), had no such scruples. Original Equipment Manufacturing (OEM) fuelled Matsushita's growth and helped it become the world's largest electronics company. This was in large part because it unashamedly followed Sony's trail, making, rather than inventing, gadgets for anyone who asked.

Throughout the company's history, "we concentrated on in-house use only. We declined to sell outside. That decision really affected us," says Ken Iwaki, Sony's senior general manager of corporate planning.

As a result, Sony is not among Japan's largest electronics companies. It is half to a third the size of the diversified giants like NEC, Hitachi, Toshiba and Matsushita. These companies' businesses stretch from nuclear power plant equipment to the microchip.

Sony, however, only turned to diversification in recent years and its efforts have not yet had a great effect on the company's structure. More than 75 per cent of Sony's sales come from consumer products, an arena now crowded with low or slow growth products. Further, most of its sales (about 70 per cent) still come from exports, so Sony has been hard hit by the yen's appreciation. Most analysts this year expect Sony's pre-tax profits to drop to Y100bn on sales unchanged at Y1,400bn. That will push pre-tax profit margins to about 7 per cent, compared with 13 per cent back in 1980 and about 9 per cent last year.

Considering Sony's glamorous track record and its well-known name, it seems somewhat surprising that Sony's efforts to diversify so far have not been handsomely rewarded. It is considered rude in Japan to force executives to speculate on why something has not worked. But on reflection, Sony executives say that the company was probably too late into personal computers, for example, to have much success.

According to Iwaki, the company's first foray into computers a few years back was fairly dismal. The market was already dominated by a clutch of players that refused to give away an inch. It was not a profitable experience. And by 1984, office automation and the mainstream semiconductor markets had largely passed Sony by. The group's considerable know-how in chips was still limited to consumer products. It found it needed to be more broadly based to compete with the likes of NEC, Japan's computer giant.

Also, around this time, when Sony began to work on diversifying, its pioneering VCR format, Betamax, came unstuck in the marketplace. The Betamax provides an almost textbook example of how technology cannot ensure a victory in the marketplace. It was the first domestic VCR in the market and it remains technically superior to the existing ½ inch VHS format. However, Sony was hemmed in by its own policy not to make the Betamax under other labels. It was also hampered by its inability to secure an international standards agreement before it tried to sell it.

Despite these traumas, however, no heads rolled at Sony. Instead of looking for people to blame, Sony executives decided to scour the company for expertise in areas it could profit from. It also decided to scrap its no-OEM, no components policy. Today, for example, its experience in the computer field has been translated into a buoyant floppy disk drive business, which is now pioneering new standards for the personal computer storage market. At the Ascot plant east of Tokyo, disk drive units with the Apple and Hewlett Packard label among others are now being manufactured for export.

Other growth areas are custom-designed semiconductor chips and optical devices for compact disc players. Next year, Sony expects components to account for about 10 per cent of its overall business, compared with just 1 per cent in 1984.

The travel through in-house technology also produced other brainchilds. For example, Sony is particularly proud of a field it calls picture communications, a marriage of its video, audio and telecommunication know-how. These products are being marketed to multinationals for intra-company communications, among other applications. Other areas of development include sophisticated factory automation equipment.

Top executives are not shy about admitting that Sony's goal of a 50-50 split between consumer and non-consumer products by 1990 is probably not attainable. But this remains their objective, despite the rise of the yen.

"Fundamentally, we have confidence that once we overcome the problems of the yen's appreciation, we will be a very profitable operation," says Masaaki Morita, deputy president of Sony and brother of the chairman, Akio Morita. Unlike the voluble Akio, Masaaki Morita speaks like the cautious engineer that he has long been. However, he cannot hide his enthusiasm for Video 8.

"At the time we introduced the Walkman, no one believed that a tape recorder without the recording function could work. Everyone said it made no sense," says Morita with a smile.

Portable music is one thing, but surely portable movies would only reduce the enjoyment by reducing the size and quality of the picture?

"You may be right about the picture," says Morita. But he points out that Video 8 also offers high-quality sound, comparable to that of a compact disc. "Thanks to this sound quality, people's imagination will be stimulated," he says, which could open up the possibility of a new generation of films and videos for entertainment, business or education.

Sony has a whole range of Video 8 products ready to roll out, such as TV Mate, a portable VCR deck, some kind of video Walkman, and various combination products, such as building a unit for the back-seat of a car.

The forerunner of all these products is the Video 8 Camcorder, a home video camera, which has been on the market for more than a year with good success. It has been strongly challenged, however, by the VHS camcorders, which have the advantage of play-back on the most common VCR, the ½ inch format, which 100m consumers already have.

Sony seems to be equal to the challenge. Since the spring it has introduced three new models of its camcorder and next month it launches its first miniature 8mm video deck in Japan. "8mm video has the potential of making video equipment a personal item," says Masaaki Morita.

"We made mistakes in the home VCR market, but we will create a new VCR market. And in ten years there may be another generation of home audio/visual products. It's a growing area with great potential," says a senior Sony executive.

Can Sony do it? If the will to succeed and the technology to back it up counts for anything, Sony appears to be more than half way there.

Defeating 'skilled incompetence'

BY MICHAEL SKAPINKER

THE CHIEF executive of a fast-growing medium-sized company realised that a new strategy was needed. So did his managers. The company had been growing at an annual rate of about 45 per cent, but it was, the chief executive feared, now heading for trouble. It was deeply split between sales people marketing off-the-shelf products and those providing customised services. Both groups needed to decide on a coherent identity for the company.

Several long meetings were held at which everyone was co-operative and positive about the changes that were needed. But they could not come to any agreement. At first they thought it was because they lacked sufficient financial data. They asked the financial vice president to reorganise the data they had, but neither did that help.

The group of managers suffers from a widespread malady called "skilled incompetence," says Chris Argyris, Professor of Education and Organisational Behaviour at the Harvard University Graduate School of Education. The managers are skilled at putting their points of view in a manner designed to avoid giving offence or rocking the boat, he explains in an article in a recent issue of the Harvard Business Review.*

Their problem is that because they do not want to appear disruptive they never really say what they mean. In consequence, their company never resolves its underlying problem.

A typical example of this inability to confront the truth can be seen in "the age-old tug between autonomy and control: superiors want no surprises, subordinates want to be left alone. The subordinates push for autonomy; they assert that by leaving them alone, top management will show its trust from a distance. The superiors, on the other hand, try to keep control through information systems. The subordinates see the control devices as confirming their suspicions—their superiors don't trust them."

The communication gap continues, Argyris says, until a major error occurs. "The recent space shuttle disaster is an example," he says. "Only after the accident occurred were the mixed messages and defensive routines used during the decision to launch exposed."

The usual response to disaster is to examine where and why communication broke down. Senior management attempts to remove organisational barriers to frankness and honesty but that does not work either. Nobody wants to seem disloyal to the company, Argyris argues, and new ways are found to cover up.

"The freedom to question and confront is crucial," he says, "but it is inadequate. To overcome skilled incompetence, people have to learn new skills."

To do this, the management group from the fast-growing, medium-sized company arranged a two-day session away from the office. Before they went, each of them attempted to describe the problem in writing.

They then divided their page into two columns. On the right-hand side they wrote what they would say and what the response of their colleagues would be. On the left-hand side they wrote what they really thought.

The results were revealing. In one manager's right-hand column the conversation predicted goes: "Hi Bill. I appreciate having the opportunity to talk with you about this custom service versus product problem. I'm sure that both of us want to solve it in the best interests of the company." To which Bill replies: "I'm always glad to talk about it, as you well know."

What the first manager really thinks, and what he writes in his left-hand column is: "He's not going to like this topic, but we have to discuss it. I doubt that he will take a company perspective, but I should be positive."

Other left-hand column comments were "Don't hand me that line. You know what I'm talking about" and "I'm really trying hard, but I'm beginning to feel this is hopeless."

Instead of holding on to their left- and right-hand columns, managers at the two-day seminar handed them over to a colleague, who drafted a new conversation to help the writer put his case more effectively.

According to Argyris, it worked. A few months later the whole management team met for a day and hammered out a strategy that was acceptable to everyone.

*HBR, September-October, P.O. Box 25, 3950 AA Maarn, The Netherlands.

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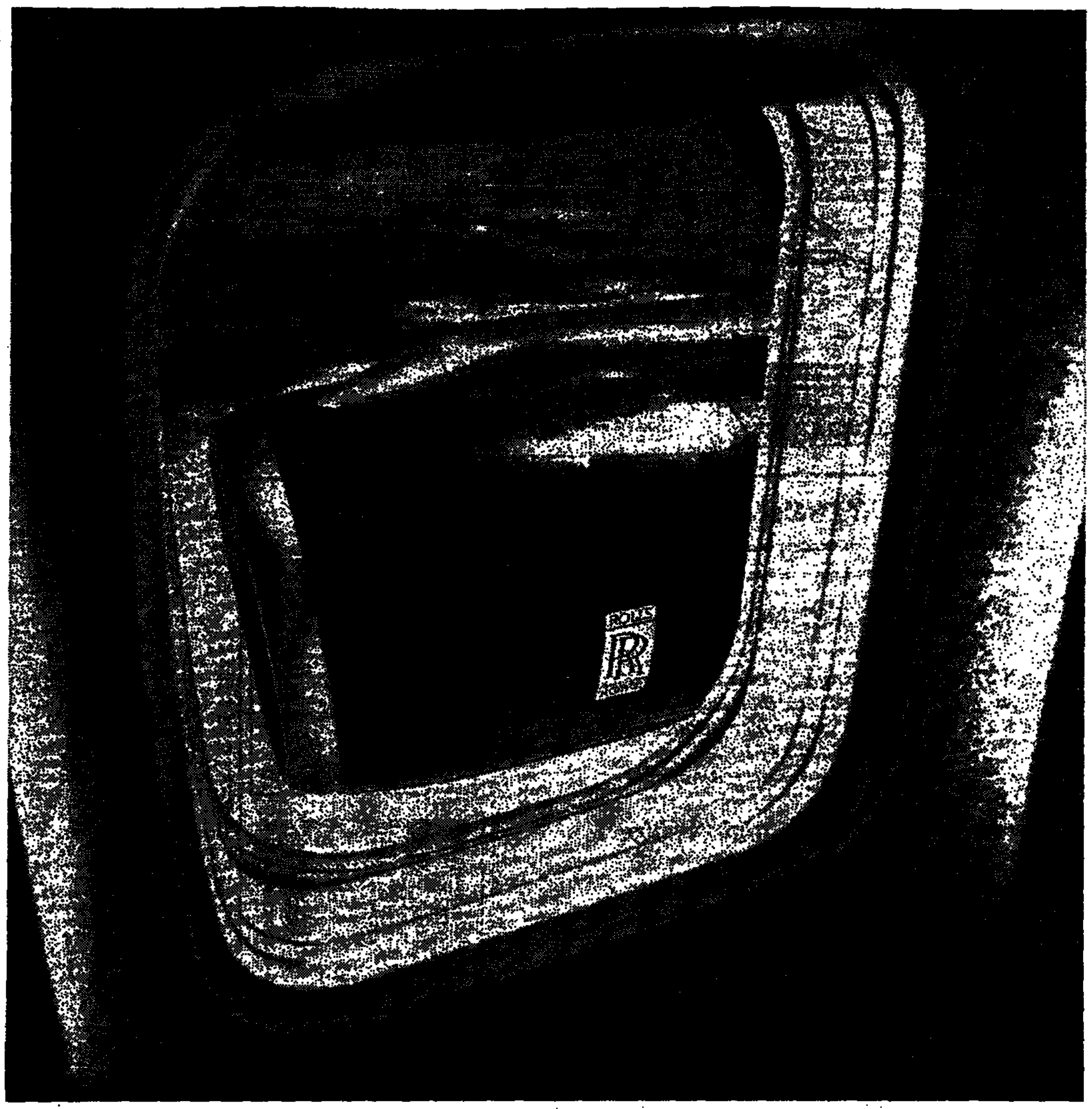

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FT COMMERCIAL LAW REPORTS

Loss caused by deliberate fire is covered by mortgagees' interest policy

THE ALEXION HOPE
Queen's Bench Division
(Commercial Court):
Mr Justice Staughton:
October 9 1986

A FIRE started deliberately by the assured would be an "occurrence" and a proximate cause of loss under a marine policy; but the assured would be unable to recover in that he cannot take advantage of his own wrong; and an average adjustment is "passed" when it is accepted by the underwriters as correctly stating the facts of the casualty and the figure of the loss.

Mr Justice Staughton so held when giving judgment on preliminary issues in an action by Schiffshypothekenbank Zu Luebeck AG, mortgagees of the Alexion Hope, against Mr Norman Philip Compton, representative underwriter of mortgagee interest insurers.

* * *

HIS LORDSHIP said that the vessel Alexion Hope was owned by Alexion Maritime Corporation. Her hull and machinery were insured.

On October 23, 1982 a serious fire occurred in the engine room. The shipowners gave notice of abandonment claiming that the vessel was a constructive total loss.

Schiffshypothekenbank had lent money to the shipowners, and were mortgagees of the vessel and assignees of the policy on hull and machinery. They issued a writ in their own name against the hull underwriters claiming $4.75m for constructive total loss. That action had not yet come to trial.

On April 25, 1985 the writ was issued in the present action. It was brought by the mortgagees against the underwriters on a mortgagees' interest policy dated February 28, 1983.

The first page of the policy was the printed SG form which included cover against "fire". The second page was typed and provided: "This policy has to pay if an occurrence which takes place during the period of this policy causes (a) total or constructive total loss . . . and after a final court or average adjustment having been passed, the assured is unable to recover from the vessel's hull underwriters. . . ."

The claim in the present action was for a declaration that the mortgagees' interest insurers were or would be liable to the mortgagees for whichever was the least of: the amount unrecovered from the hull underwriters; the sum insured by the mortgagees' interest policy; and the amount due from the shipowners to the mortgagees in repayment of money lent and interest.

The mortgagees' interest insurers denied that there had been an "occurrence" within the meaning of their policy, or that the average adjustment had been "passed." They averred that the damage, alleged but not admitted, was caused by the wilful misconduct of the shipowners.

The court ordered trial of preliminary issues as to whether *inter alia* on the true construction of the policy a fire which caused total or constructive total loss constituted an "occurrence" if the damage were caused by the shipowners' wilful misconduct in procuring or conniving at setting fire to the vessel; and whether "average adjustment having been passed" included an average adjustment which had been presented to hull underwriters but not accepted, or only included an adjustment which had been expressly accepted.

As to the meaning of "occurrence," the notion evidently was that some event had caused loss or damage to the vessel which in the ordinary way would give rise to an expectation of recovery from hull underwriters. That would exclude for example, damage by wear and tear. It did not mean any event or happening whatsoever causing loss or damage to the vessel.

"Occurrence" possibly referred to any perils covered by the shipowners' hull and machinery insurance; or any peril covered by normal standard or ordinary insurance on hull and machinery; or any of the perils specified in the printed SG form. In any of those cases fire would be within the definition of "occurrence."

The dispute as to the peril "fire" was whether it was confined to accidental fire, or also included deliberate fire.

Mr Hunter, for the mortgagees' interest insurers, conceded that it included a deliberate fire not started by or with the connivance of the shipowners. The question was whether it also included a fire which had been started by them or with their connivance.

He referred to section 55 of the Marine Insurance Act 1906 which provided that the insurer was not "liable for any loss attributable to the wilful misconduct of the assured."

It was difficult to see how a loss caused by accidental fire could be said to be proximately caused by fire, while a loss caused by a fire which the shipowner had deliberately caused was not proximately caused by fire.

Loss by the deliberate admission of water into a vessel was not a loss by peril of the sea, in that "perils of the sea," according to the schedule to the Marine Insurance Act, referred only to fortuitous accidents or casualties of the sea.

In *Slattery v Mance [1962] 1 QB 676* Mr Justice Salmon said the onus of proof where the claim was for loss by fire was different from that in perils-of-the-sea cases.

He said: "The risk of fire insured against is quite obviously not confined to accidental fire . . . Of course the plaintiff cannot recover if he was the person who fired the ship or was a party to the ship being fired. This result, however, does not depend on the construction of the word 'fire' in the policy but on the well-known principle of insurance law that no man can recover for a loss which he himslf has deliberately and fraudulently caused."

"Fire" in a marine policy therefore included a fire started deliberately by the assured or by the shipowner, or anybody else; and in such a case the loss was proximately caused by fire. The word "occurrence" in the policy also included any such fire.

If the fire had been deliberately started by the mortgagees they would be unable to recover. But nobody suggested that they deliberately started the fire — it was the shipowners who were said to have done that. The mortgagees were the assured in the mortgagees' interest policy.

With regard to "average adjustment having been passed," the mortgagees submitted that "passed" meant issued by the average adjusters and nothing more. The insurers said it meant accepted as correct by the hull underwriters. "Passed" was not a word that would ordinarily be used to convey either of those meanings but the context showed that it must bear one or the other.

Prima facie, the requirement of an average adjustment did not mean or imply that it should have been prepared by professional adjusters of repute. In *Wavertree Sailing Ship [1897] AC 373,380* it was said that the shipowner might if he pleased make out his own average statement.

Against that background, it did not seem that the parties could have intended the mere issue of an average adjustment to be conclusive proof that the mortgagees had a valid claim which they were unable to recover from hull underwriters. One would not suppose that an adjustment prepared by an untrained or incompetent adjuster, or by the shipowners or mortgagees, would be conclusive.

Seeing that the average adjustment was an alternative to a final court judgment which was manifestly intended to be binding on the mortgagees' interest underwriters, the preferred meaning was that "passed" meant accepted as correct by the hull underwriters. That meaning gave more point and purpose to the requirement of an average adjustment as an alternative.

The words referred to an average adjustment which had been accepted by hull underwriters as correctly stating the facts of a casualty and the figure of the loss.

For the mortgagees: Nicholas Phillips QC and J. C. Gilman (Constant and Constant).

For the insurers: Ian Hunter QC and David Joseph (Hill Dickinson and Co).

By Rachel Davies
Barrister

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THE ARTS

Television/Christopher Dunkley

Face to face with the troubles of the world

Television's account of the miseries of the world started quite slowly last week. Sunday brought another look at the holocaust in *Pillar of Fire*, and on Monday we saw merely the troubles of the National Health Service in *Panorama*. Tuesday threw up a one-hour special about international pollution, *The Acid Test*, but it was not until the next day that the pace really started to warm up.

On Wednesday we were offered *The Queen's Peace*, an "Out of Court" special investigating the increasing level of armaments used by the British police; then *Cry Hungary*, a 75-minute documentary about the 1956 Hungarian uprising and its mail-fisted repression. The evening ended with another episode in the series *The Trouble With Sex*, and, according to the billing: "Pouring out your troubles face to face with someone else isn't an easy task, especially when they are sexual troubles."

Drug addiction, child abuse, police in riot gear: some of the miseries television brings home

But the next night suggested that there is no shortage whatsoever of people willing to pour out their troubles, sexual or otherwise, and regardless (or perhaps even because) of the presence of television cameras. In chronological order, Thursday night's schedules included the following:

Open Space detailing the plight of hundreds of thousands of refugees now seeking asylum in the West, many facing refusal.

Equinox on drunken driving in the US where people who cause death on the roads are now being tried for murder.

Brass Tacks, also on the problems of Alcohol, but specifically in Britain.

This Week on the spread of Aids and Britain's failure to mount an effective campaign of public education.

A Crime Of Violence in which a succession of witnesses described different varieties of sexual abuse of children.

And *Aids—Everyone's Problem* which devoted another hour to the terrifying prospect now presented by Acquired Immune Deficiency Syndrome.

That the two Aids programmes appeared on the same channel (ITV) on the same night, in the London area at least, presumably resulted from a scheduling error. But the concentration of other programmes is not particularly remarkable, given that ITV and BBC schedules are competitive, not co-operative, and given too that the troubles of the world have become one of the chief components of television's non-fiction output.

The question of the effect upon the viewer when Pelion is heaped increasingly often upon Ossa in this fashion is one we shall come to in a moment. First it should be said that several of these programmes were outstandingly good.

For example, although Jeremy Bennett's *Cry Hungary* was structurally conventional—archive newsreel footage, interspersed with recollections today from some of those who fought in the Budapest streets at the time, with Oldham cabbie Danny Benedikti returning to the banks of the Danube to show where his friends were cut down by machine guns—it was also very moving. It would be a rare viewer who could listen entirely dry-eyed to Greg Pongrat's graphic description of the 13-year-old boy, determined to continue the fight against the Russians, who hid under the bed when his mother went to the headquarters of the unofficial "Corvin Brigade" to take him home, though she agreed in the end to let him continue.

Stephen Lambert's programme about the attitudes of ordinary policemen towards the troubles they have to handle nowadays was also vividly revealing. On the difficulty of combining the duties of community policing ("Dixonerdockgreen Policing") with the functions of an armed riot control squad one officer said "We can't pat the kids on the head one day and fire plastic bullets at them the next". Another pointed out that if you treat people differently according to their colour — letting some get away with openly using drugs in the street or even overlooking muggings — "That's a short-term expedient which leads to long-term problems", a conclusion which seemed bleakly sane compared to those of some of his senior officers.

Equinox was another eye-opening programme which gained greatly from the American willingness to build modern technology into the legal system. Margaret Jay's recent *Panorama* on the legal procedures surrounding child sex abuse cases showed how the Americans now admit video-taped interviews in evidence as a means of avoiding the overwhelming of young children in court. *Equinox* managed to show what actually happens when drunk drivers are tried for murder, thanks to the presence of cameras in some American courtrooms.

The next thing to be said of these programmes generally is that none of them could really be described as impartial. The very title of *Cry Hungary* implies a comment, and nobody in that programme was in a hurry to represent the Russian point of view. In *A Crime Of Violence* there was none of the concern that you usually find on television for the perpetrators of crime: whereas prison inmates and juvenile delinquents can normally be sure of sympathetic attention, nobody was the least bit interested in trying to discover why men sexually abuse children.

With *Aids — Everyone's Problem* the title itself was, once again, a form of value judgement which seemed to deny the existence of monogamy, and within the programme Digby Anderson — cast as the lone token voice of conventional morality — claimed (though I paraphrase) that the programme was more a part of the problem than of the answer since it adhered very largely to the spirit of permissiveness which enabled Aids to spread in the first place.

As a real believer in freedom of expression (there are few of us about: I would allow the Militant Tendency and the National Front on television tomorrow relying on the law of the land as my only editorial control) such absence of impartiality does not greatly disturb me, though I do wish that programme makers recognised their own biases more clearly and announced them to viewers more frankly.

What does seem worrying, however, is the relentless increase in the amount of misery which television brings so eagerly and with such eidetic clarity into our sitting rooms. Of course knowledge is better than ignorance — in principle. In practice it can make for fearful difficulties. In Vietnam and, in a small way, even in the Falklands, we saw how there may be advantages to be gained in modern warfare by the side which controls its mass media and allows its civilian population to see only good news and propaganda.

When the concentration of agonising programmes begins to reach the proportions described in this article, one does start to wonder whether the same rule may apply in a much more general way. No previous generation has had to live with such detailed knowledge of so many troubles: drugs, crime, pollution, nuclear accidents, racial intolerance, political extremism, overpopulation, deforestation, famine, disease, and so on. You do not have to watch television for 24 hours a week, the current national average, to have these problems born in upon you quite painfully; even the most casual viewing habit will ensure that they impinge.

Clearly nobody in his right mind would reject our television system in favour of the sort which deals exclusively in the heroic increase in tractor production figures, the traditional dances of the happy peasants, and the lionising of stakhanovites. Yet even if those who do live with such systems find that ignorance is far from bliss, they may also feel less inclined than their British counterparts either to sit in front of the television and cry or to turn it off and jump off the nearest cliff.

Television is acting far more responsibly than most newspapers with regard to Aids, but generally television — like most of the mass media — is better at identifying and dramatising problems than at suggesting answers, so that the factual side of television can come to seem like little more than a litany of horrific and insoluble difficulties. Those difficulties should certainly not be ignored or marginalised but, just as there is a crying need on television news for better arts coverage to give proper perspective, the arts being one of the positive aspects of human existence, so there is a great need in documentaries and current affairs for more life-enhancing programmes.

There are small outcrops: Edward Mirzoeff's programmes, especially the *40 Minutes* series, often feature hearteningly happy people, but to mitigate the misery we could do with many, many more.

Cinderella/Paris Opera

Freda Pitt

To judge from the warmth and volume of the applause at the first night of Rudolf Nureyev's production of *Cinderella*, which opened the ballet season at the Paris Opera on Saturday evening, he has now got the measure of his audience. His version has obvious virtues: it deploys large numbers of dancers from this largest of western companies and admirably shows off their strength, assurance, precision and attack, and it resets the story in such a way as to make it a more convincing vehicle for the current favourite, Sylvie Guillem. Tall and streamlined, whose "contemporary" style and line do not fit romantic roles, Guillem has extraordinary technical prowess, but is too "cool" and long-limbed for a traditional interpretation. She can more easily suggest a tough cookie than a soft-hearted put-upon drudge, so is easily imagined as a girl from a poorish Los Angeles family out to conquer Hollywood in the 1930s. Hollywood can certainly be taken as the symbol of a dream factory, but how far this scenario can be fitted to Prokofiev's great score is quite another matter.

The opera is taking part in a large-scale homage to the composer, which will include a concert performance of *War and Peace* and a staged production of *The Fiery Angel*. *Cinderella* belongs officially to these celebrations, but the ballet accords with the music only at the most superficial level of following the beat. The score presupposes magic of a spiritual quality, far superior to the material kind laid on in such profusion by the technical tricks of the Paris production. In the same way, Cinderella loses her heart of gold, showing only the most perfunctory kindness to her family and to the injured film producer — who replaces the Fairy Godmother.

The family is more extended than usual, with a little-seen drunken father as well as the regulation stepmother and two stepsisters. Perhaps because he has earmarked the role for himself in later performances, Nureyev has assigned that of the stepmother to a man, Georges Piletta, whose make-up, appearance and steps are so convincingly feminine that the point of the joke is lost. The stepsisters, on the other hand, are danced by two magnificent ballerinas, Isabelle Guerin and Monique Loudieres. They are neither ugly nor wicked, just silly, selfish and insensitive. Loudieres gave by far the most human and varied interpretation; Guerin danced splendidly but did not get as close as Loudieres to breathing her cardboard character into life.

Two other performances stood out: Michael Denard's as the cigar-smoking producer who launches Cinderella; and Charles Jude, who has the best dancing role, that of the star actor who inevitably falls in love with Cinderella in her pretty pale pink outfit. His role is meatily demanding enough for any danseur noble, and Jude will be hard to equal, for his elegance and power were unfailing. Denard possesses experience in the straight theatre and films, hence his sure touch. He is also no mean dancer.

The production's main fault is that it falls between two stools. On the one hand it lacks the traditional romantic quality, but on the other it is too old-fashioned both in choreography and in setting to be considered truly modern.

If the management had not rigorously excluded the press from the matinee the same day, it might have been possible by the evening to ignore the lit-up girls in bathing-costumes that were part of the decorations, the huge motor car, the animated King Kong, Guillem's bathetic rather than pathetic attempt at an imitation of Charlie Chaplin and other assorted nonsense, and concentrate wholly on the dancing. The dancing, rather than the choreography, for Nureyev has not become a choreographic genius overnight; but it must be clearly stated to his credit that, however gimmick-laden, the production has the company dancing at full stretch, in mostly classical idiom, throughout the evening.

School's Out/Stratford East

Claire Armitstead

Just as we were being led to believe the belligerence of English teachers was in a class of its own, along comes Jamaican playwright Trevor Rhone with the assurance it is the same the world over. With *School's Out*, Rhone took an irreverent look at staffroom politics in Kingston, Jamaica, as long ago as 1976. A decade on it winds up at the Theatre Royal under the direction of Yvonne Brewster in a helter-skelter production which elicited shrieks of laughter from an unashamedly partisan first night audience.

It is comedy that shoots from the hip: much business centred around a misfunctioning lavatory (complete with bad-egg odours wafted over the audience), a prurient school chaplain, whose interest in little girls is not confined to their souls, and a plot to oust an upstart crow who arrives in the staffroom at the start of the play with visions of a new order that threaten the ramshackle routine of his colleagues. Into this plot is thrown a brief discussion on the merits of dialect as opposed to Queen's English (cue a lecture from a bespectacled old timer on the erosion of standards and the virtues of Latin) but the heart of the play is not in serious debate.

There were points of production that were somewhat baffling: David Roger's down-beat staffroom set, for instance, backs on to the half visible hulk of an old car: if there was any reference to this in the play it passed me by. Other points can be more easily accepted as part of the ebullience of the piece, including the bumptious Rosco's insistence on entering almost every scene through a window rather than a door.

Gary McDonald plays rasta Rosco with a high-voltage swagger, complete with reggae demo and ball skills display, that threatens to steal the show entirely in its early stages; but balance is regained as the plot clears. Ram John Holder, a quiet, grizzled presence in the first act, gives a performance that unfolds splendidly into learned animation, then bitchery pure and simple, as newcomer Dacres nears his come-uppance. Malcolm Frederick never quite convinces as the dirty-minded chaplain but Roger Griffiths has marvellous few moments as the dimwit Hopal, reduced to a gibbering wreck by Ben Thomas's smooth, starchy Dacres.

Königskinder/Wexford Festival

Max Loppert

To the opera public at large, the name of Engelbert Humperdinck suggests a single work. This is understandable: *Hänsel and Gretel* is one of the masterpieces of the medium. But it is unfair. He wrote ten stage works (incidental music for plays as well as operas), and at least one of those — the *Märchenoper* (or "folk-tale opera") *Königskinder* — has long been accounted a serious case of undeserved neglect. Just exactly how serious has been made clear by this year's Wexford revival, which figures high among the festival's most significant acts of rediscovery and restitution.

Humperdinck was an experienced theatre man (he assisted Wagner in the preparation of the *Parsifal* premiere) as well as a composer of wonderfully rich gifts. In its first form *Königskinder* had been a melodrama (i.e. a play in which music accompanies notated speech) — a far-seeing experiment for its day that failed.

The opera is a substantial revision and simplification; it had its first performance in 1910, at the New York Metropolitan, with Geraldine Farrar and Hermann Jadlowker as Goose Girl and King's Son. For a time it seemed that a second Humperdinck work might join the popular repertory, but the interest faded. A decade ago, Electrola issued a recording (with Helen Donath in the Farrar part — not released here), which alerted many of us to its musical beauties. In the non-German-speaking world, this year's Wexford production counts as its theatrical revelation.

The story is folk-tale simple — characters identified by jobs, not names — but also folk-tale eventful (too eventful to be recounted here). It begins and ends in that cradle of German romantic sensibility, the dark forest, and layers its plot above a fertile stratum of Wagnerian symbolism. To call *Königskinder* post-Wagnerian is, indeed, the easiest and most obvious thing in the world; but in fact the experience of it brings out the differences between master and acolyte quite as much as the similarities (such as *leitmotiv* technique, ample contrapuntal working, musical reminders of *Der Ring*, *Tristan* and *Parsifal* in the outer acts and *Die Meistersinger* in the lively, city-based middle).

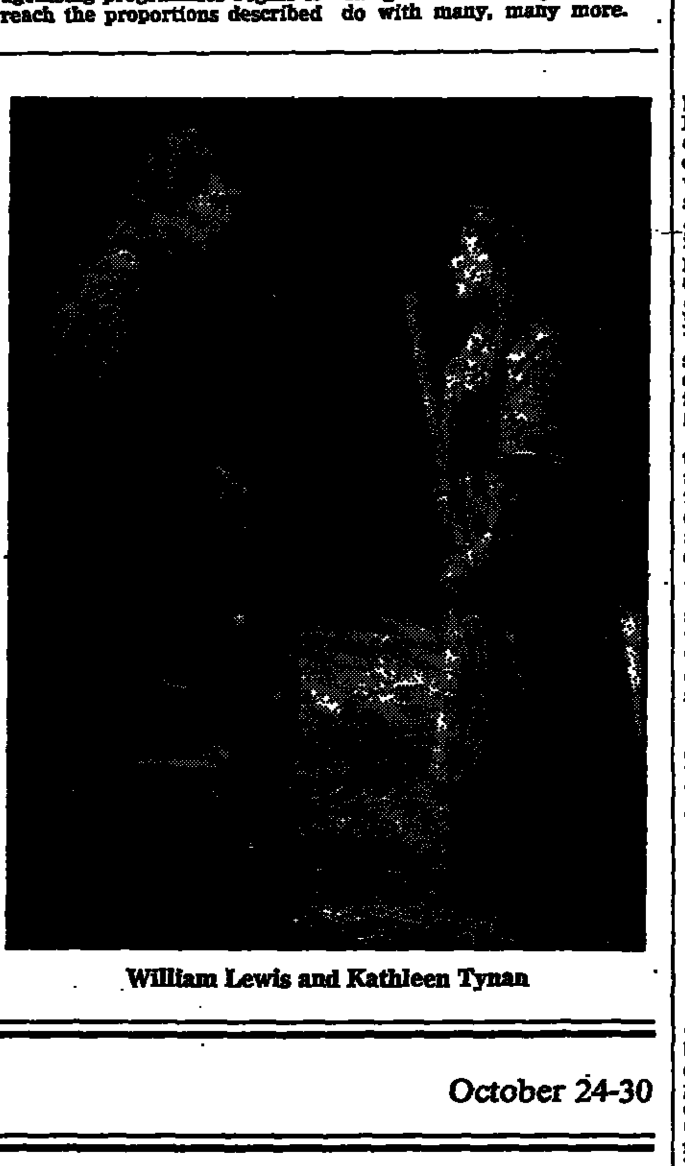
What holds the attention across long spans of time is the naturalness of Humperdinck's musical scale, the un-ponderous facility of his technique and the pristine freshness of his musical invention. It is a work of quite marvellous formal balance. Even in the reduced scoring dictated by the Theatre Royal pit space, it sounds limpid and radiant. Melodies are abundant, and flow out of their dramatic context (the elegiac Act 3 songs of the baritone Fiddler, the opera's *beau rôle*, are the most simple, folk-like and memorable of the whole score).

In post-Wexford enthusiasm the temptation is to cry out for the big-house stagings that *Königskinder* properly requires. There are, however, danger areas. The opera concerns itself with noble, humane issues — sexual awakening; the distinction between outward appearance and inward reality; the importance of staying true to one's beliefs. But the panoply of *echtdeutsch* scenic devices (geese, flower garlands and the procession of children) could be made embarrassingly cute by an insensitive producer.

One longs to see what the ENO's *Rusalka* team of Elder, Pountney and Lazaridis might come up with. At Wexford Di Seymour's budget-conscious sets were ugly (acid rain seemed to have reached the trees a century too early) but also practical, and Michael McCaffery's production made a most eloquent, economical study of the characters. There were no embarrassments; and because by the second performance the RTE Symphony under Albert Rosen were in admirable command of the musical spans and period, the shortage of string tone proved a small price to pay for the general sense of idiomatic rightness.

Perhaps the most remarkable feat was to find a cast for an uncommonly demanding opera with no weaknesses and many excellences: this was a classic Wexford conjuring trick—disparate performers (from Germany, America, Russia, England, Romania, Jamaica, the Netherlands and Ireland) forged into a cohesive ensemble in no time at all.

As the Fiddler the Leningrad singer Sergey Leiferkus produced streams of beautiful high-baritone sound, and acted with unforced liveliness—when are we to have him at Covent Garden? Though William Lewis sounded a trifle strained by the more forceful requirements of the King's Son, his sense of style and precise German made amends. In the Farrar part we were introduced to a young Hamburg soprano, Daniela Bechly, with the power to move one to tears with the simplest gesture or utterance.



William Lewis and Kathleen Tynan

Albert Herring/Oxford

Rodney Milnes

Britten's comedy, the third opera in this year's Glyndebourne tour, entered the lists comparatively late following the postponement of the premiere of Nigel Osborne's new opera. One of the summer festival's most joyful recent successes, it has been strongly cast for the tour — especially in the pit, where soloists of the London Sinfonietta under Oliver Knussen play with virtuoso brilliance and patent enjoyment. Mr Knussen takes the score on the whole at a brisk lick, which underlines Britten's genius at setting the English language (equal, *mutatis mutandis*, to Strauss's) but, given a certain reluctance to relax the pace when turning corners, sometimes gives too little time for the verbal jokes to register.

As in the other operas on the tour, there are some vocal performances to challenge those at the festival itself. Not since the days of Sylvia Fisher and Pauline Tinsley have Lady Billows's eponymously soaring lines been projected with such confidence and controlled abandon as they were last Saturday by Phyllis Cannan but, it might be said, with more consistent beauty of tone. A stunning vocal interpretation, Philip O'Reilly shapes the Vicar's divinely unctuous utterances with great musical insight, reminding one they are at once fatuous and extremely beautiful; Susan Bickley's Florence is clearly, sonorously delivered; and the Budd of the Dutch bass Wout Oosterkamp is ideally lugubrious and weighty (and his English diction crystal clear).

Things are rather less happy dramatically. Most of John Gunter's decor has been left in Sussex: we are left with one backcloth and only skeletal sets. Those who have not seen the real thing either at Glyndebourne or on television presumably won't mind. The Suffolk accents are now all over the place, some—Mr Oosterkamp's and Elizabeth Laurence's as Nancy — almost over-pungent, others simply not there. Better to drop them altogether.

Worst of all, the comedy has lost its serious edge in a welter of disparate styles. Miss Cannan gives us her Lady Bracknell, Miss Laurence's Nancy is distressingly school-of-*Dynasty*, and in general the cast plays too hard for easy laughs (I except from this Anna Steiger's Miss Wordsworth, studiously under-played and neatly sung). The Vicar's wig and eyebrows—they should have been rethought for a young singer—remind one of the worst excesses of village-hall Gilbert and Sullivan. I spent too much of the evening relieved that Sir Peter Hall wasn't there to see what had happened to his production.

For most of the tour the title role is being taken by John Graham-Hall, as in Sussex, but on this single occasion it was sung by Christopher Gillett, an intelligent and resourceful young singer-actor. He sang cleanly, managing a good legato, in the crucial first-act solo, and presented a more deeply repressed (and depressed) figure than his colleague who, you felt, was a natural satyr needing only the smallest of nudges in order to blossom alarmingly. The release of Mr Gillett's libido was altogether more momentous, and he celebrated it by winning the one spontaneous, properly earned laugh of the evening (a look of incredulous, scornful disbelief at the Vicar's "At a shop?"). Brilliant!

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 24-30

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast in Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Magistrate (Lyttelton): Handsome National Theatre revival of Pinero's great farce with Nigel Hawthorne funny, but not blissfully so, as the discomfited police magistrate. A safe bet. (928 2252).

Kafka's Dick (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

When We Are Married (Whitehall): Impeccable, joyous revival of an English comic war-horse now with a new cast, but Bill Fraser returning as the tipsy Falstaffian photographer. (930 7765, 839 4455, CC 379 6565/6433).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Galileo (Goodman): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

SPAIN

Madrid, Dixi Mask Theatre by Chinese group from Guizhou province. A spectacular drama with all the traditional ingredients-music, masks, fancy dresses and historical events. Palacio de Cristal, Retiro Park. (Wed and Thur). (274 66 14).

TOKYO

Black Lizard: Yukio Mishima's play based on an old Japanese thriller and starring renowned Kabuki onnegata (female impersonator) Tammesaburo as the sophisticated attractive female jewel thief (the Black Lizard). Superb acting by Tammasaburo, excellent stage set and effects make the plot easy to follow, even though in Japanese. Aoyama Theatre, near Shibuya. (542 1817).

Cats: Revival of the Shiki Company's production in the specially built tent theatre, directed by Keita Asari. (320 4000).

Chicago (in Japanese): Toho Company production directed and choreographed by Tony Stevens, starring Ran Ohtori and Rei Asami. Imperial Theatre (212 4611).

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Rough water in the Channel

EUROTUNNEL'S attempts to complete a £206m international share placing to raise the first tranche of equity for the Channel tunnel project are due to come to a nail biting conclusion today. Although the French and Japanese investors have apparently been quite willing to back the scheme, there has been marked reluctance in the US and the UK, even though the sums involved are quite small by the standards of the new issue market.

There are three possible explanations, none of them exclusive. The fault could lie with the City, which might be too preoccupied with the short term to finance schemes with a pay-back spread over many years. Eurotunnel itself may be to blame, for pricing the issue too high or marketing it poorly. Or it may simply be that this is not the kind of project which the private sector can reasonably be expected to support.

It is certainly a most unusual investment proposition. Its scale is vast—an estimated cost of £4.7bn—and the pay-back is spread over the 55 + year life of the concession. In this respect, the cash flow profile is quite unlike that of an offshore oil field, where heavy investment is followed by big cash inflows which taper off sharply after a few years. The financing has had to be put together in an unfamiliar fashion, with equity investors being approached only after governments and the banks have been lined up.

Steady flow

The risk profile is unusual, too. The shares will not be listed until next summer, and will pay no dividend before 1994. And the main risks—to do with politics, financing arrangements the construction programme, and the likely volume of traffic—are heavily concentrated in the early life of the scheme. They will become increasingly easy to quantify with each year that passes.

Until it starts to operate, the project will offer investors the scope for high capital gains in return for high capital risks. Thereafter, its characteristics will be quite different. The company will become more like an index-linked utility, with a steady flow of income.

These two different time horizons have complicated the job of selling the issue. The risks appear high for those investors who are mainly interested in a secure stream of dividend payments, while the returns do not appear all that attractive to those who are more interested in venture-capital-type operations. On its base case assumptions, Eurotunnel indicates a pre-tax return of 16.7 per cent over the life of the project.

Unlike most venture capital schemes, however, the Channel tunnel will not require modern technology, while the life cycle of the investment is very long. And if all goes well, the capital gains in the early years will be substantial. According to the prospectus, the price of the units to be offered in a public sale planned for next summer will be 42 per cent above the current placing price.

Lost momentum

Eurotunnel has not made its task any easier by the way it has sold the issue in the UK. It set an over-ambitious deadline by trying to complete the placing in the early summer. When this was not met, the whole project lost momentum. Moreover, it has not focused its efforts on the needs of individual investors. Whereas the French concentrated on a small group of institutions which have had their hands held tightly for months, the British effort has been spread over a much wider audience in a number of different countries. With such an unusual issue, this was a mistake.

Another difficulty has been that pension fund advisers among the London merchant banks appear as a group to have been especially unwilling to stump up. This may be because they are better at assessing risks than their peers. A more likely explanation is that their preoccupation with short term performance makes them unwilling to take up unquoted investments or those with a pay back spread over many years.

If this is the case, then there is a flaw in the British financial system for which trustees should be held accountable.

To judge by the prospectus, the Eurotunnel project is capable of generating worthwhile returns for investors over a long period. If this is indeed so, then it would be a shame if such an exciting infrastructure project were to be damaged by a combination of poor marketing and institutional inflexibility.

Blaming it on the French

"I GAVE my Community colleagues a full briefing on the Hindawi case and presented them with the conclusive evidence of Syrian official involvement. They were both impressed and disturbed."

But, as Sir Geoffrey Howe, the British Foreign Secretary, went on in his statement to the House of Commons yesterday, the European partners were neither sufficiently impressed nor disturbed to take the sort of joint action against Syria that Britain was seeking. There was then a minor eruption of anti-European, and specifically anti-French, feeling among Conservative back-benchers. Mr Nicholas Soames, whose father used to be the British ambassador in Paris, said that the French refusal to go along was "absolutely craven."

Some perspective is called for. Nezear Hindawi was sentenced for his role in trying to place a bomb on an El Al aircraft at Heathrow airport only last Friday. The British Government promptly and correctly responded by breaking diplomatic relations with Syria because of the evidence of direct official Syrian involvement in the affair. Yet to jump from there to say that all fellow members of the European Community should follow suit, or even just withdraw their ambassadors from Damascus, within a few days implies a degree of European unity that any objective observer knows does not exist and may not even be desirable in this case.

Another engagement

In the first place, it ought to have been perfectly obvious that the scale of the action sought was unlikely to be achieved on that timetable. A glance at the diary might also have shown that the French and West German foreign ministers had a long-standing other engagement: namely, a Franco-German summit meeting. If the British Government understood the nature of the Franco-German relationship, it might have made less of a hash of its relations with the Community over the years.

The more serious point, however, is whether joint Community action to the extent of recalling ambassadors, if not severing relations, really was desirable. Syria is not Libya. The latter country may be said to be a major accomplice in international terrorism, but it does not play a pivotal role in the Middle East. Attempts can be made to isolate it.

Syria is quite different. It has an interest in terrorism, as the Hindawi case has demonstrated. But that is not all that Syria does. It plays a part, not always unconstructive, in the Lebanon. From time to time, as the Americans know, it has been helpful in securing the release of hostages. Above all, it is very unlikely that there can be any kind of Middle East settlement without Syria being involved. That hardly amounts to an argument for all of the members of the European Community to break relations with Damascus en bloc and overnight.

New doctrine

Moreover, the European countries have their own bilateral relations with the Middle East states. The French at present have difficulties about hostages in the Lebanon which have been reflected in the bombings in the streets of Paris. It would be very unreasonable to expect them to exacerbate that situation by a peremptory break with Syria.

The idea that all the Europeans ought to act together in the same way at the same time is also a new doctrine. When there have been differences among the Europeans or between the Europeans and the Americans before, there has often been virtue in a multi-pronged approach. If relations between Moscow and Bonn were cool, for instance, it did not mean that there had to be a similar automatic coldness in relations between Moscow and Paris or Moscow and London. Doors were kept open in a process known as diplomacy. It could be the same in the Middle East.

Meanwhile, it seems to have been overlooked that considerable progress is being made among the Europeans on dealing with terrorism. At a meeting last week, officials agreed on measures to co-ordinate visa policies, frontier controls and the elimination of the abuse of passports. At the meeting in Luxembourg on Monday there was agreement, backed by the French, on the possibility of limiting arms sales to Syria and other measures besides. That is far from negligible.

THE FUJITSU-FAIRCHILD DEAL

Long shadows in Silicon Valley

By Louise Kehoe in San Francisco

THE PROPOSED merger of Fairchild Semiconductor, the "grandfather" of Silicon Valley's chipmaking industry, with the US semiconductor operations of the Japanese electronics giant, Fujitsu, signals a radical restructuring of the US semiconductor industry.

Many see the transaction as the first step in a major consolidation of the chipmaking business that will have repercussions throughout the entire electronics industry. The cornerstone of America's high technology future is, it seems, about to be drastically reshaped.

For the beleaguered US chipmakers, the proposed sale of 80 per cent of Fairchild to Fujitsu is a cruel reminder of how far they have fallen.

Bloodied as well by the worst recession in industry history, the chipmakers of Silicon Valley face an uncertain future.

Several developments have set the stage for this drama—

● International competition, primarily from Japan has significantly reduced the US share of the world semiconductor market. Japanese companies have also caught up with the US in technology.

● A two-year recession has brought US merchant chipmakers to their knees. US industry losses have totalled over $1bn and more than 60,000 of the industry's 280,000 jobs have been lost.

● The historic rate of worldwide growth in demand for semiconductors is slowing down from an average 18 per cent per year to less than 12 per cent.

● Worldwide, the industry is burdened by a gross surplus of production capacity. In the US, close to 50 per cent of production facilities stand idle. These unused factories, which can be obsolete within five years, represent a major drain on capital resources.

● The capital costs of semiconductor manufacturing are very high and rising. The cost of a state of the art chip production facility is over $100m today. In 10 years it is projected companies will be able to afford to be $650m.

● A major technology trend that is affecting the structure of the industry is the drive to ever denser, more complex chips. As the chip gets more sophisticated it gradually incorporates more and more of the electronics needed to build a computer, or some other piece of electronic equipment.

The technology is fast approaching the point where "the system is the chip." As it does so, the chip designer becomes, in effect, the system designer. Companies that have both semiconductor and electronic systems operations thus gain a clear advantage.

The net result of all these changes is expected by industry analysts to be a consolidation of the US semiconductor industry, with the independent merchant chip suppliers, such as Intel, National Semiconductor, and Advanced Micro Devices bearing the brunt of the crisis.

According to this view, the future belongs to the vertically integrated electronics manufacturers capable of funding capital-intensive semiconductor operations and offering a broad range of chip products to a market they understand through close contact with the same in-house customers whose orders also supply a cushion when times are hard.

It does not go unnoticed in California that this model for success closely describes today's Japanese semiconductor industry leaders—Fujitsu, Nippon Electric, and Mitsubishi, for example.

The US industry, in contrast, falls into four distinct sections: the independent merchants, such as Intel and Advanced Micro Devices; large "captive" producers such as IBM, which make chips only for internal consumption; vertically integrated companies like Texas Instruments and Motorola; and a shoal of "start-up" chip makers concentrating on "niche" markets.

Speculation on what will happen to the independent chip makers is rife. Mergers and acquisition rumours link Intel with IBM—its largest customer and 20 per cent stockholder. Advanced Micro devices might be acquired by Siemens—which already holds 20 per cent of AMD's stock; National Semiconductor has close ties with Hitachi.

Some in the US semiconductor industry fear that Japanese companies might follow Fujitsu's example and move quickly to acquire US chipmakers. The rising value of the yen, combined with the depressed valuations of US chipmakers, could provide the Japanese with bargain investment opportunities.

Ironically, the recently signed US - Japanese semiconductor trade agreement, which sets minimum US prices for Japanese-made chips could also encourage rival Japanese semiconductor producers to bid for the US firs because chips made in the US are not covered by the US government's price restrictions.

Fujitsu has been particularly hard hit by the price control system. According to analysts estimates, Fujitsu has lost two-thirds of its dynamic random access memory (Dram) sales since the trade agreement

Many see Fujitsu's bid for Fairchild as a move to circumvent the effects of the chip trade pact. But if this is so, Fujitsu has not chosen the most appropriate partner. Fairchild's extensive chip plants in the US are not well suited to high volume memory chip production and would have to be re-equipped at considerable cost if Fujitsu wanted to use the Fairchild merger as a way to transfer its Dram production to the US. More likely, Fujitsu will move ahead with previously announced plans for a major new Dram plant in Washington state.

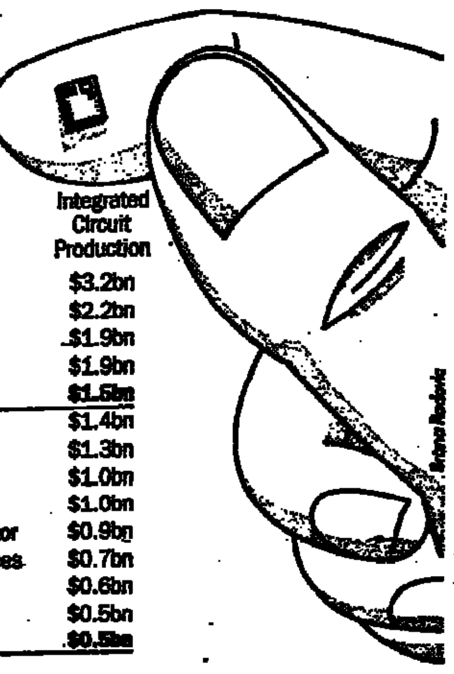
But even if the Fujitsu-Fairchild merger does not open the dam to Japanese memory chips, it does represent some significant challenges for US chipmakers.

Japanese control of Fairchild, the second largest supplier of chips to US military contractors, may also raise serious questions at the US Defence Department. Concerns about the growing dependence of the military upon foreign chip suppliers were an issue in Washington before the Fujitsu-Fairchild merger. It remains possible that the US government may raise objections to Fujitsu's control of Fairchild.

Japan's sensitivity to these trade and strategic issues will prevent a rash of Japanese takeovers in the US semiconductor industry, says Mr Drew Peck a semiconductor industry analyst at Gardner Securities.

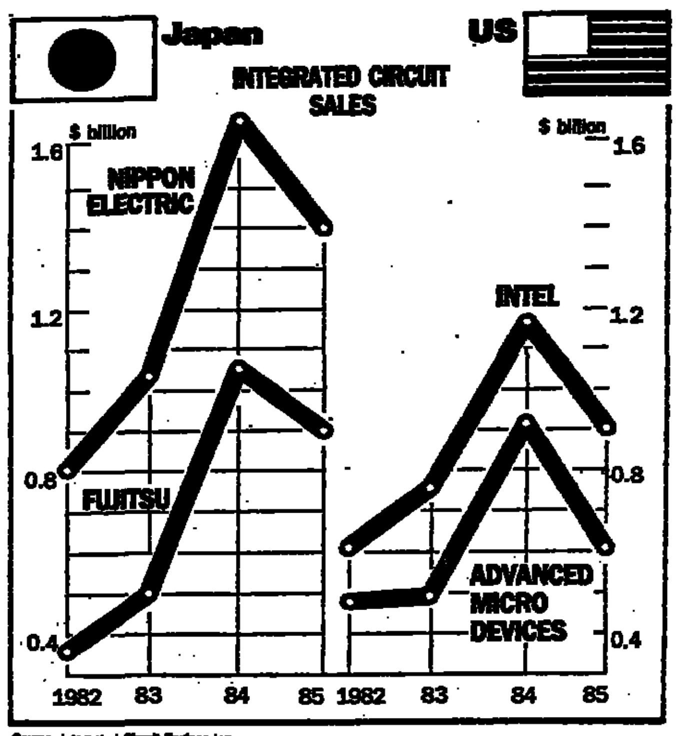
In the long term though, the semiconductor industry appears to be evolving into a "global" structure in which a consolidated group of internationally-owned large corporations compete for a portion of what in ten years time may be a $40bn world market.

AN INDUSTRY UNDER PRESSURE



TOP INTEGRATED CIRCUIT MAKERS

WORLD WIDE 1986 SALES	Integrated Circuit Production
IBM	$3.2bn
NEC	$2.2bn
Hitachi	$1.9bn
Texas Instruments	$1.9bn
Fujitsu	$1.5bn
Motorola	$1.4bn
Toshiba	$1.3bn
Philips	$1.0bn
Intel	$1.0bn
National Semiconductor	$0.9bn
Advanced Micro Devices	$0.7bn
Matsushita	$0.6bn
Mitsubishi	$0.5bn
Fairchild	$0.5bn



Source: Integrated Circuit Engineering

THE PRESSURES THAT LED TO A SWITCH IN SEMICONDUCTOR STRATEGY

IN JAPAN, the Fujitsu move is seen as remarkable, not least for the speed at which it has been agreed. Large-scale acquisitions, even among Japanese companies, are still extremely rare. When they do take place, they are generally the results of months or years of negotiations between companies which already have commercial or financial links. Fujitsu adn Fairchild have almost no commercial ties. Schlumberger's office in Tokyo, it is understood, put the two parties together, but the fact than an agreement was reached so swiftly underlines the extraordinary changes now going on in Japanese industry.

"It may be all the trade friction and it may be the increased value of the yen, but businessmen here are starting to change the rules and it's difficult to know where it will end," says a senior foreign banker in Tokyo. Indeed, Fujitsu's move comes only a month after an agreement between NEC, Honeywell of the US and Bull of France to form a co-operative venture in computers. Although the final form of the venture has yet to be decided, NEC is expected to take a controlling stake in the new company.

The increased purchasing power of the yen plus declining export profit margins is turning buying, as opposed to building, into a more attractive proposition in overseas markets. The construction of a factory on a green-field site, long the preferred Japanese way of expanding overseas, now has some major disadvantages. It takes longer, it creates more capacity, often in industries where there is already too much, and it usually costs more.

"Foreigners sometimes forget how pragmatic the Japanese can be. Traditions and taboos can be shed fairly easily if it makes good business sense," says a Japanese semiconductor industry executive.

Foreigners can also forget how competitive Japan's domestic markets can be. The signs of a full-blown recovery in domestic demand for chips earlier this year have just about petered out, resulting in some extremely sharp price reductions. Prices for basic new memory 256K Drams, for example, have fallen by 10 per cent since the beginning of the year and are predicted to fall another 10 per cent by next June. Japanese companies still use price as a marketing tool, aiming for high market share and high volumes to cover the costs of ruinous pricing at the outset. A prime example is the new super-powerful 1 megabit Dram, which cost aboutY5,690 in August. By the end of the year, it is expected within the industry to drop to about Y3,700 and next summer to just Y1,800.

Fujitsu, Japan's fourth largest chip maker in terms of sales, after NEC, Hitachi and Toshiba, was particularly hard hit by this competition. This was due to its heavy dependence on commodity memory chips; what the Japanese call the "rice of industry" chips. A notoriously secretive company, Fujitsu rarely gives away any figures on chip sales. According to stockbrokers Vickers de Costa in Tokyo, however, Fujitsu's chip sales slid by 23 per cent in the year to March, with exports down by 32 per cent and capital spending down by more than 60 per cent. Pre-tax profits slid to Y47bn from Y154bn the previous year, on sales of about Y1,700bn.

Industry leaders NEC and Toshiba already have major production plants in the US, but industry executives were already speculating last week that other chip makers, such as Hitachi, Mitsubishi Electric, Oki or cash-rich Matsushita Electric might follow in Fujitsu's steps with an overseas purchase. Sceptics, however, point to some unusual circumstances in Fujitsu's case.

Fujitsu, Japan's largest computer maker, has been locked in battle with computer giant IBM for years and not just over computer sales. The companies have been battling over alleged copyright infringement since 1982. Although the outcome of the various suits have never been made public, most Japanese industry executives say that Fujitsu is likely to end up paying IBM between $100m and $1bn for the latest alleged violation—in addition to the annual royalty fees it is already paying.

Further, Fujitsu was heavily hammered in the recent US-Japan semiconductor trade pact. Under the terms of the deal, aimed at preventing dumping, each major chip maker was assigned a fair market value for each of its major exports based on production and shipment costs, plus a profit margin of around 8 per cent. For undisclosed reasons, the Department of Commerce chose to put Fujitsu and Hitachi at the highest price band, while NEC's price hardly amounted to an increase. Brokers in Tokyo swiftly marked NEC a buy and Fujitsu a hold/sell, with one report headlining: "The Fair Market Price System Gives NEC a Significant Advantage."

Not surprisingly, Fujitsu's exports in late summer and early autumn dropped away almost to zero. While it is unclear whether the existence of the chip pact pushed Fujitsu into the Fairchild deal, it is clear that it was an important contributing factor.

Nonetheless, the chip pact appears to be causing more than the expected amount of change in the Japanese industry. In order to help promote the spirit of the agreement, Japan's Ministry for International Trade and Industry (Miti) is leaning on chip makers to cut their capacity. Guidelines issued last month call for a 48 per cent cutback in domestic capacity for 64k Dram chips by the end of September and a further 26 per cent in the last quarter. Smaller but significant cuts were sought in 256k Dram output. "This is not part of the agreement but part of our effort," says a Miti official.

Because of Fujitsu's high ratio of commodity memory chips, these cutbacks have hit home.

Carla Rapoport in Tokyo

Men and Matters

Peking tops the profits

An unexpected name has emerged at the top of the league of the world's most profitable banks compiled each year by IBCA the bank credit rating agency.

It is the Peking-based Bank of China.

The IBCA is a little sceptical, and must risk accusations of anti-proletarianism by questioning the banks accounting principles.

In a strikingly sparing annual report the Bank of China says nothing about how it has treated its investments in shaky Hong Kong banks and shipping groups—or even whether they are included in the balance sheet.

But the communist world clearly knows a thing or two about running banks. IBCA's annual survey of foreign banks operating in London has consistently shown the Hungarian International Bank as or near the top of the profitability league.

The new Europe

IF 16-year-olds start quoting the latest EEC demographic, GNP, and export trends you can hold the European Commission responsible.

As part of a campaign to make better Eropeans, which was initially inspired by the European Parliament, the Commission has just published a new map of the community. Designed for secondary schools it clearly shows the boundaries of the 12 member states, and spells out some key economic facts.

On close inspection, however, the community's youth will get a strong impression that the Channel Islands and the Isle of Man have nothing to do with the EEC.

The position of the islands, I must remind the community experts, is set out in Articles 25 and 27 of the Treaty of Rome, and by Protocol 3 to the Treaty of Accession.

Broadly, the islands are part of the community for customs purposes, and for certain aspects of the common agricultural policy. The unified tariff of the European coal and steel community, and certain provisions of the Euratom Treaty, also apply to them. However, the islanders may be treated as third country citizens, except in the UK.

The alert scholar will also note that the commission has tactlessly coloured the United Kingdom a bright orange—a decision which will give encouragement to the Unionist Movement in Northern Ireland, but probably was not intended to have that effect.

Last post

David Ford, appointed yesterday to succeed Sir David Akers-Jones as Hong Kong's chief secretary in the middle of next year, is likely to be the last non-Chinese to hold the office. He will take over the post at a sensitive stage in the territory's transition to Chinese sovereignty in 1997.

Ford's elevation to the most senior position in the colonial government will come as a surprise to many who saw him, to all intents and purposes, demoted in 1983 after an illustrious career under former governor, Sir Murray Maclehose.

He is regarded as identifying himself strongly with Hong Kong, rather than with Britain, and colleagues rate his diplomatic skills as formidable—useful assets as the government oversees sensitive political reforms over the next five years.

He joined the Hong Kong Government in 1967 after 17 years in the British army. Apart from acting as head of the influential government information service, he was at one time seconded to Northern Ireland, and he served as Hong Kong's commissioner to London when Britain's nationality bill was being drafted.

After a year of study at the Royal College of Defence Studies in the UK, he returned to Hong Kong to the surprisingly lowly position of director of housing. He was promoted last year to become secretary of the civil service. At the age of 51, he is expected to serve as chief secretary for much longer than Akers-Jones who retires next June after only two and a half years in office.

"Good evening — I'm selling onions to raise money for the Channel Tunnel"

Check out

South Africans who are worried about security on domestic flights are not altogether reassured by the airlines' solution to the lack of X-ray equipment at many of their country's small airports.

Baggage of air passengers to Johannesburg from towns as far afield as Nelspruit, Hotazel and Palabora cannot be checked with X-ray equipment before flights. As a result, passengers arriving at Johannesburg's Jan Smuts airport are directed through the X-ray checks in its departure hall after their flights.

To ensure there is no confusion between arriving and departing passengers, the X-ray machines are then run in reverse to handle baggage for departing flights.

Speaks volumes

The moment of truth came at the end of the Franco-German summit in Frankfurt dedicated to improving cultural links between the two countries.

As President Mitterrand and Chancellor Helmut Kohl spelt out the need for action to improve the teaching of French and German languages in each other's countries, all seven of the French ministers present and four of the six-strong German team had to don the headphones for a simultaneous translation of what the other side was saying.

Mitterrand was asked by one journalist at the press conference when he was going to start German lessons. Mitterrand replied drily that he had received his first lessons in Germany as a prisoner during the war—and brushing-up exercises would have to be left to the future.

Hop it

Sir Walter Bodmer, research director of the Imperial Cancer Research Fund, in a recent Royal Society address on the public understanding of science, related how, as an Oxford professor, he and his family had once been stopped when returning from holiday by "a young and officious-looking customs officer."

The customs man glanced at Bodmer's passport, noted that he was a professor, asked where and was told Oxford. He asked for his subject, and was told genetics.

After a moment's thought, the customs man said: "H'm, I'd better let you go then, hadn't I, otherwise you might turn me into a frog."

Observer

Knowsley North by-election

Civil war in an urban wasteland

Faces from a no-holds-barred battle

By Michael Cassell, Political Correspondent

EVEN BY *Merseyside's own,* hair-raising standards, the no-holds-barred political battle being waged across the council estates and cabbage fields of Knowsley North *is threatening* to escalate into desperate confrontation.

In just over two weeks, Knowsley's 54,000 voters will go to the polls to elect a new MP. They have been without representation since the summer, when Mr Robert Kilroy-Silk bowed out of his own, private war with *local* members of the Trotskyite Militant Tendency, renounced a once-impressive political ambition and left the Westminster stage.

All at once, a constituency which could be forgiven for believing that politicians of every colour have for years ignored its daunting catalogue of social and economic problems, finds itself, briefly, at the centre of attention. Years of indifference have suddenly been replaced by an army of famous, political faces bearing heavy portfolios of promises *and pledges for* a better future.

The political stakes in a seat which lies to the north-east boundary of Liverpool and provides a depressingly stark *example of endemic decline and* contageous hopelessness are extremely high.

Apart from filling an empty, green leather seat two hundred miles further south, the short, potentially explosive, campaign will provide a critical test for Mr Neil Kinnock's centralised onslaught on Labour Party extremists who have managed to infiltrate the constituency network.

It also holds out to a Liberal-SDP Alliance, badly rattled by recent opinion polls, the tantalising prospect of a spectacular by-election victory. The Alliance is convinced that deep-seated disaffection with recent Labour antics, combined with the bonus of a popular and impressive candidate who has been likened to a battling Bessie Braddock, could yet pull off the impossible.

That there can be any doubts surrounding the outcome of the Knowsley contest is in itself *remarkable. The seat that* carries Labour's third highest majority—17,191—*forms* part of the constituency which once provided Mr Harold Wilson's *original power base and has* traditionally offered an unquestioning allegiance to Labour. The borough council has 59 Labour councillors, one Labour *against Militant representative* and six Conservative members.

Knowsley is one of the most economically depressed constituencies in the country. *Developed after* the war as an overspill centre for Liverpool, it presents an incongruous mix of green belt land and urban decay which manages to *embrace derelict schools,* fortress-type tower blocks, a stately home and a safari park.

One in four of the predominantly Roman Catholic *adult population in Knowsley is* unemployed and in some black-spots male unemployment has reached over 80 per cent.

Knowsley has one of the *highest crime rates in the* country, with vandalism, arson and personal violence rising sharply.

The outside observer might, *therefore, easily imagine that* the only realistic by-election outcome is for an even more resounding Labour mandate. But on Merseyside, politics are *anything but predictable or* peaceful and the circumstances surrounding the latest struggle for Knowsley would provide the former MP with endless *material for a follow-up* book.

In moving firmly and decisively to halt the internal blood-letting by ensuring Knowsley's next Labour man fits the moderate mould, Mr Kinnock has inevitably *alienated the local constituency* party and, in being *forced* to take action, unavoidably handed his political opponents a powerful by-election weapon which *is proving far too tempting for* them to ignore.

Rarely can a poll contest have got off to such a confusing start, with Labour's national executive forced *to defend in* the high court its selection decision against one of its own constituency parties. As Mr David Steel, the Liberal leader, said in the *House of Commons,* few by-election writs have been moved by a party before the identity of its candidate has been confirmed.

Mr Kinnock's move ultimately paid off and Mr George Howarth, the competent if less than colourful candidate favoured by party headquarters received *the nomination so* desperately wanted by others.

There is deep resentment in Knowsley's Labour camp that its own freedom to choose has been *denied and that Mr* Kinnock halted a selection process which, they claim, was in any case unlikely to result in Mr Les Huckfield, the militant-*supported Euro-MP being* picked.

Mr Jim Lloyd, leader of Knowsley Borough Council and a delegate to the constituency party *is openly angry. He is a* left winger though, like the majority of his fellow councillors, not a Militant and has regularly annoyed some local party *activists* with a pragmatic approach to local politics which once led to close and constructive co-operation with Mr Michael Heseltine during his days as environment secretary.

"The decision was *appalling.* Take away a constituency party's right to select and you remove the need for its very existence. There was absolutely *no certainty that Les Huckfield* would have got the nomination." Mr Lloyd says he will now support 37-year-old Mr Howarth and, in voicing an *opinion not widely shared* around Knowsley, goes as far as to suggest that he could actually improve on the last, massive majority, won at a time *when Labour's electoral fortunes* were at an *historically* low ebb.

Mr Howarth, no doubt for the first time feeling totally *confident of his position, yesterday* challenged Militant to put up its own candidate or to shut up.

A local man who has come in for some *criticism* for leaving *the area to become chief executive* of the Welsh TUC-sponsored Co-operative Centre in Wales, Mr Howarth says the campaign will be dominated by *the need to create more jobs.*

Militant is still thinking about Mr Howarth's challenge, although even before the High Court endorsement for his *selection was known, it was* urging people to vote Labour, despite the leadership's efforts to "sow confusion and demoralisation among *supporters.*"

The militant message—with its accompanying, thinly-veiled threat of eventual deselection for unsuitable MPs—was this week being *gratefully* circulated by Coun. Rosemary Cooper, the 36-year-old councillor from Knotty Ash on whom Liberal hopes rest.

"Militant is suggesting that Howarth will be no more than a *caretaker* MP. Sure *enough,* straight after the election, they will take care of him."

Coun. Cooper, an effective, doorstep proponent of community politics, seems happy with a Bessie Braddock comparison which is clearly based more on her weighty demeanour and irrepressible enthusiasm than on any *political similarities.* She reckons Knowsley is ready for a change.

The Liberals take great heart from recent ward elections *which have seen their share of* the votes advance at the expense of Labour. In a recent by-election in the constituency town of Prescot, the Liberals won 60 *per cent of the vote to Labour's* 34 per cent.

Cllr. Cooper, a long-standing Militant critic and a Liverpool councillor for 13 years, says Labour is destroying its own chances of success and that, *from now on at least, she* intends to concentrate on the major issues of unemployment, *housing,* law and order and health services.

The Liberals are the first to appreciate the scale of the *challenge confronting them,* acknowledging that to win will need something like a 25 per cent swing. Such a result is not unprecedented and the Liberal *camp* believes the extraordinary circumstances underlying the contest could produce an extraordinary result.

The odds must remain on a Labour victory supported by voters who may have doubts *about* the party's local track record but who welcome the rejection of extremism. In that case Mr Kinnock may move to tighten his grip by disbanding the *Knowsley constituency party* and reconstituting it along lines which further weaken the power of the local left.

If Labour loses, the Labour leadership's high-risk strategy will have come horribly unstuck. *Militant will have* its proof that such flagrant "undemocratic intervention" ends in disaster and Mr Kinnock will, in the run-up to a general election, be *faced* with another huge headache, courtesy of the good people of Merseyside.

1983 election result: R. Kilroy-Silk (Lab) 24,949; A. Birch (Cons) 7,758; B. McColgan (SDP/All) 5,718; J. Simmons (WRP) 246.

UK party politics

Time for a green approach to wealth creation

By Jonathon Porritt

NO SOONER does the Labour Party propose some new initiative than it is instantly costed out and added to the running total being kept so diligently on its behalf by the Government. This has clearly put the wind up Mr Hattersley, who has been swift to rebuke those colleagues still adhering to the "promise now, pay later" politics of the old-style Labour Party.

Mr Hattersley has not yet turned his attention to Labour's gleaming new draft environment policy. How much of this ends up in the election manifesto is still a matter for speculation, but at the moment it bristles with proposals which will critically affect industry and agriculture, let alone central government and local authority spending. It is in many respects a model document, save only for its failure to explain how all this greenery is to be paid for.

It is the old story of opposition parties wanting their cake and eating it. The SDP has trumped all the others in this respect by coming up with the trite but ever-so-plausible notion of "green growth." Under that rubric it promises not only that the economy will grow much faster than under Mrs Thatcher but that this will be achieved without so much as a whiff of pollution. It is nonsense, of course. Measured by current economic and financial criteria, caring for the environment does indeed cost money. And it is best that opposition politicians realise it right now before they are carried away in a haze of green euphoria.

The Government, by contrast, would do well to consider the economic advantages of certain environmental reforms, and to rid itself of the ingrained prejudice that environmental responsibility and economic progress are mutually exclusive. In many instances there is a direct pay-off for going green. When the Department of Trade and Industry published its report "Wealth of Waste" in 1984, the Government was quick to pay lip-service to its main theme: "The benefits of recycling are obvious. Rarely do environmental and economic factors so unambiguously support the same goal." But, since then, not a single significant initiative has emerged from the Department.

Elsewhere, the pay-off for introducing environmental reforms is less clear cut, which may explain why so many of the Government's belated efforts to present a slightly greener gloss are of the "too little, too late" category. The introduction of special payments to farmers in Environmentally Sensitive Areas is a classic example; to fund the scheme, welcome in itself, the Treasury allocated a mere £6m. The 46 areas originally identified by the Countryside Commission as ESAs had to be reduced to six. Such minute sums need to be set against the £2bn spent every year on market regulation and price support under the Common Agricultural Policy, of which a significant proportion is used to fill warehouses at great expense with produce that cannot be sold.

Harder decisions have to be made when the immediate and tangible economic benefits are greatly outweighed by the costs. There is now an overwhelming scientific consensus that action has to be taken to prevent further damage to the environment caused by emissions from power stations and vehicle exhausts. This costs a lot of money.

The West German Government is currently involved in a £2bn clean-up programme. Friends of the Earth has calculated that our Government needs to fit the 12 largest coal-fired power stations with flue-gas desulphurisation plant (FGD) as soon as possible, at a cost of £1.6bn. That would mean a 5 per cent increase in electricity prices over 10 years, but the simple fact is that if we do not commit that kind of expenditure now, we will be spending a great deal more in the future.

The Government claimed much credit recently for its decision to spend £600m on fitting three power stations with FGD. In reality, this turns out to be just another delaying tactic. Three years will be spent considering design and engineering features before construction starts in 1989, and runs through until 1997. This will not even bring us in line with the 30 Per Cent Club (made up of those countries pledged to reduce sulphur dioxide emissions by that percentage based on 1980 levels before 1993), let alone with the far more rigorous reductions now widely accepted throughout Europe. It should be seen for what it is — a tawdry attempt to buy a bit of green credibility.

But the greatest irritant of all is when a convergence of good economics and environmental common sense comes up against blind obstinacy. The economics of nuclear power have always been highly contentious, but year by year evidence mounts that the sums simply do not add up. The collapse of the nuclear industry in America was largely on economic grounds, with consumers refusing to pay more for a more risky energy source, and Wall Street refusing to invest in an increasingly risky business.

In the UK, the Central Electricity Generating Board now acknowledges that electricity from Magnox reactors has always been marginally more expensive than coal-fired electricity, but still hopes that the Advanced Gas Cooled Reactors will prove marginally cheaper. The board's hopes for the Pressurised Water Reactor proving cheaper still, as presented at the Sizewell Inquiry, are already in shreds.

Meanwhile the economic case for an alternative strategy based on conservation, energy efficiency, combined heat and power and long-term development of renewable energy sources looks increasingly credible. The fact that it is already doing the job in the US, makes it doubly ironic that Mrs Thatcher should be so resolutely turning her back on policies that are cheaper, more efficient, more in line with her free-market philosophy and more likely to create export opportunities than a nuclear policy could ever be.

The common thread running through all these issues is that environmental policies are still seen as add-on and defensive measures to mitigate the damage inevitably done in the business of creating wealth, rather than as a fully-integrated component of a strategy for sustainable wealth-creation. Unfortunately there is a long way to go before any of our major political parties adopts this more radical green approach.

The author is director of Friends of the Earth.

In last Wednesday's paper, we spelled incorrectly the name of our contributor, Mr Jorge G. Castaneda. We apologise for the error.

Letters to the Editor

Industrial relations

From Mr S. Abbott

Sir,—I was delighted to read (October 25) of Sir Pat Lowry's public support for the re-establishment of special courts to deal with *disputes over* rights in industrial relations matters. In its two and a-half year life the Industrial Court set up under the 1971 Act dealt with 1,100 cases with a speed and informality foreign to normal legal processes. One case quietly brought by Mr Clive Jenkins was settled in two hours!

Sir John Donaldson, the court's chairman (now Master of the Rolls), once said: "We regard our first duty as being to provide . . . a very *special* form of conciliation . . . Here, the parties have to consider how the court would decide the matter if they failed to agree. What matters is not their industrial strength but their industrial *right.*" This brought a new, constructive, dimension to British industrial relations. While the court did not *itself* act formally as conciliator it had a *statutory* duty *to* give the parties every opportunity to resolve their differences by conciliation.

With the abolition of this *specialist* court in 1974, disputes over industrial statutory rights continued to be dealt with by the industrial tribunals — but jurisdiction over other rights disputes *has,* alas, reverted to the ordinary courts. These, by their nature, are adjudicators as between rival parties. Unlike the Industrial Court, they have no *conciliatory* role or duty; they are bound by formal procedures, rules of evidence, and the application of strict legal principles. Moreover, "*face*" — a key factor in industrial relations — cannot be taken into account in the straitjacket of legal confrontation.

Clearly, nothing can be done to re-establish an industrial *relations court* until after the next General Election. One specific anomaly, however, could be dealt with without new legislation. This concerns the absurd divisions of responsibility in the adjudication of individual rights disputes. For example, compensation for unfair dismissal is awarded by the industrial tribunals; damages for wrongful dismissal by the ordinary courts; yet both claims may arise on the same facts. Again — claims for redundancy payments are handled by the tribunals; but a claim that insufficient notice of dismissal has been given must be taken to the courts.

Both the Conservative's 1971 Act and Labour's 1978 Act provided that jurisdiction in respect of damages for breach of employment contracts could be extended, by order, to the tribunals. The 1978 provision still applies. Surprisingly, the power has never been exercised.

Stephen Abbott.
Saumarez,
Reeds Lane,
Rake, nr Liss, Hants.

Rising house prices

From Dr G. Gemmill

Sir,—John Muellbauer's argument (October 23), that rising house-prices cause wage-inflation, was somewhat implausible. To be fair, he does say that increases in house prices "could also conceivably be merely a sympton, in which case conclusions drawn here are overstated." Increases in house prices are surely just that—a symptom of wage inflation and not a cause of it.

Let us look at his arguments for house prices affecting wage settlements. The first is that house-prices increases are an element in wage-bargaining for individuals who are buying or about to buy houses. These are presumably first-time buyers, who tell their employers that *they* "need" more money to buy houses. That is implausible, but difficult to refute empirically. The second is that house prices rise first in regions *of low unemployment* (the South-East), making it difficult for workers to move-in from other regions because they cannot afford houses. It is an *argument for unemployment in* the North having little impact on wages in the South, because Southerners are speculating in housing. The third argument *is that house-price increases in* excess of retail-price inflation are a cause of increased inflationary expectations. Surely the casualty here is precisely the reverse? Wages drive house prices and not the other way round.

In suport of these arguments a graph is shown that indicates that house prices have outrun the retail-price index fairly *consistently* since 1958. It would have been equally interesting to show a graph of the house-price-to-earnings ratio, which has been rather stable at around 3.4 over the same period. The evidence suggests that when wages rise, *house* prices rise. In addition, inflationary expectations can have a large impact on house prices, as in 1973 and 1979, when there was a perfectly rational attempt by individuals to buy "real" assets as *inflation hedges.*

It is unfortunate that John Muellbauer makes such muddled arguments, because *his* policy conclusion, that mortgage tax relief should be abolished, *is* desirable for many reasons. In particular, such a change would imply greater equality of treatment between different kinds of investment, as well as reduce the price to first-time buyers. It would cause a once-and-for-all reduction in house prices but thereafter would have no lasting impact (contrary to what Muellbauer seems to think) and house prices would then start to rise again from the new base.

(Dr) Gordon Gemmill,
City University Business School.
Frobisher Crescent, EC2.

Settlement by the BBC

From Mr N. Hamilton MP and Mr G. Howarth MP

Sir,—As Malcolm Rutherford could not even get the Panorama programme's title correct it is not surprising that his article (October 24) on the repercussions of our libel action against the BBC was wrong in other important respects too.

We were not stalking horses for Conservative Central Office — we were risking everything we owned to restore our good names. When Central Office was supposed to have been nobbling witnesses in fact it was distancing itself from any involvement with the case — and we were exceedingly angry at the lack of support we were getting. We never sought, nor were we offered, nor would we have accepted, a penny of financial support from the party.

We are amazed to read that Mr Milne decided last summer to settle out of court. It was the BBC that prevented a settlement. It would offer only *a hopelessly inadequate apology,* and £15,000 towards our legal costs which then stood at £100,000.

Mr Milne also says, according to Rutherford, that key witnesses for the BBC were no longer willing to appear. Let Mr Milne identify them. Let him tell us, too, why the BBC would not subpoena them — as they tried to do to Norman Tebbit, John Gummer and several others.

Mr Milne has become curiously reticent. He should make a clean breast of it. There has been a cover-up in the BBC to avoid the pinning *of* responsibility. What a meal the BBC would be making if all *this scandal involved anybody* but itself. We shall not stand idly by as the BBC mounts a disinformation campaign, aided and abetted by certain Labour MPs. Mr Milne has not heard the end of this.

Neil Hamilton,
Gerald Howarth,
House of Commons, SW1

Tenders in Sheffield

From the Chairman, Employment Programme Committee, Sheffield City Council

Sir—I write in response to your article "Councils face law on tenders" (October 22) to express some surprise and dismay that the Associations of the Chambers of Commerce *feel that the city of Sheffield is* acting improperly in its management of its contracts.

The city as a purchaser of goods and services is a consumer. Are they against consumer sovereignty? In a recent House of Lords case Lord Browne-Wilkinson described ". . . the right of a *democratically-elected body to* conduct its affairs in accordance with its own views." So the City is not acting against the law lords.

*It appears that the associ*ations may be responding rashly partly out of fear. They seem to be fearful of proposals from the Office of Fair Trading *that will place a general "duty to trade fairly,"* which would place a duty on all traders, public and private, similar to the general duty for health and safety. Such *proposals* should rather be welcomed by the chambers of commerce as well as the city council as an attempt to stop the "fly-by-nights" and "*Del boys,*" and protect bona fide traders. As for the city council's abusing these recommendations from the Office of Fair Trading, it has not as yet even considered them.

Sheffield city council operates in a legal and an electoral framework. Local authorities can be made to change their policy by either changes in the law or by changes in control following a local election. The chambers' member firms can choose to buy or not to buy from whomsoever they wish, for whatever reason, and there is no legal or electoral check upon their purchasing policies.

Sheffield's policies on contracts *compliance* is based upon a respect for the law of contract. The city has a statutory and common law "duty of care." We cannot allow just any "cowboys" into our old people's homes, our houses or *our schools. If we were not to* check upon our contractors and suppliers we could place ourselves open to action. We are not prepared to neglect our legal duties to the people of Sheffield, and local business must lear to *accept this.*

Helen Jackson,
Palatine Chambers.

FINANCIAL TIMES
Wednesday October 29 1986

Tony Walker in Damascus reports on the aftermath to the Hindawi affair

Syria tries to ride out the storm

SYRIA is engaged in a concerted and, in the view of Western observers in Damascus, relatively subtle campaign to limit the damage done to its reputation over the Hindawi affair.

Its strategy appears to be to ride out the storm in the expectation that initial outrage at details of a planned bomb attack on an El Al aircraft at Heathrow airport in London by a Jordanian carrying a Syrian passport will dissipate.

The attempt to neutralise adverse reaction in the West is being helped by divisions within the European Community over the best means of censuring Damascus. Observers are contrasting Europe's difficulties in formulating a co-ordinated response with the measures agreed against Libya following the US bombing raid in April.

Syria has sought in its public statements to exploit these divisions by ascribing an anti-Arab posture to the Thatcher Government. It has continued to deny both in public and in private any involvement in the attempt to blow up the aircraft, in the face of strong circumstantial evidence to the contrary.

Western ambassadors have been summoned to the Foreign Ministry in the past few days to be read a prepared text denying Syrian involvement and denouncing Britain's decision to sever relations. Diplomats have not, however, found the Syrian explanation of events entirely satisfactory. As one official observed, the Syrians have a difficult brief to argue.

But Syria, unlike Libya, retains leverage in Europe and in the US, which explains the equivocal response to the Hindawi case in European capitals and in Washington. French and US concern about their nationals held hostage in Lebanon and a hope that Syria can assist in their release is one constraint on stronger diplomatic moves against Damascus.

Another is recognition of Syria's pivotal role in Middle East affairs. There is almost no chance of a resolution of the Arab-Israeli dispute without Syrian co-operation, and it plays a key role in Lebanon, where the French in particular have an interest.

Syria's apparent capacity to influence those behind the recent bombing campaign on the streets of Paris is almost certainly a further argument in France for limiting reprisals against Syria.


Hezar Hindawi

At the same time, France has been embarrassed by reports that it is negotiating an arms package with Syria. This would include replacements for Gazelle helicopters lost in Lebanon during the 1982 Israeli invasion and multipurpose armoured vehicles that could be used either as personnel carriers, mobile field artillery or as a platform from which to launch missiles.

Syria is also said to have been discussing with Renault the supply of tank transporters although French officials deny that France is planning to sell arms to Syria on favourable credit terms.

Details that emerged in the Hindawi trial of Damascus' apparent involvement in the bombing attempt have engendered disbelief among Syrians. "I don't want to believe it," commented a Syrian businessman.

Government officials have been arguing that Syria could not have been involved because it would not be so inept as to allow itself to be clearly linked with such a clumsy operation.

Conspiracy theories abound in Damascus about what is being viewed here as a "botched job." It is variously seen as an operation that ran out of control or one that was authorised at a low level and therefore ill-considered.

The cool response of most Arab states to Syria's call for concerted action against Britain is unlikely to have troubled the Syrians and will not have caused surprise. Damascus is used to being the odd one out among Middle East capitals.

Machel buried with military honours

MOZAMBIQUE'S founding president, Samora Machel, was buried yesterday, leaving behind a country wracked by civil war, at odds with neighbouring South Africa and with its new leadership yet to be named.

President Machel, who died 10 days ago in an unexplained air crash, was laid to rest in the star-shaped Heroes' Monument in Maputo after an emotion-charged funeral attended by his fellow southern African leaders and representatives from around the world.

Mr Machel, a former guerrilla commander who fought Portuguese colonial rule in Mozambique, had been the leader of his country since independence in 1975. His death at the age of 53 has increased the uncertainty and tension in Mozambique and the region.

His successor faces formidable challenges. He has to resolve the threat posed by the Mozambique National Resistance (MNR) – whose activities have helped devastate the economy – and defuse an increasingly tense relationship with South Africa, the MNR's main source of support.

A non-aggression pact between the two countries, signed in 1984, proved ineffectual, and the weeks before President Machel's death were marked by mutual recriminations.

Victor Mallet in Maputo on the funeral of Mozambique's founding President

tions. Pretoria claimed that guerrillas of the banned African National Congress (ANC) were receiving assistance from Mozambique while South Africa was accused of building up conventional forces on the mutual border prior to an invasion.

Yesterday in Maputo, soldiers wept, and dozens of women, overcome with grief and hysteria, collapsed in the street as eulogies to Mr Machel were read out and relayed through loudspeakers to thousands of mourners in Independence Square in the centre of the capital.

After a military parade, his coffin was towed through the city on a gun carriage by an armoured personnel carrier and, to the sound of a 21-gun salute and the Last Post, taken to its final resting place in the monument.

Banners in the crowds condemned apartheid and blamed neighbouring South Africa for killing Mr Machel although the Government itself has levelled no direct accusations against Pretoria. "The Boers killed the best son of the Mozambican people," proclaimed one banner. "We will continue with the struggle."

Mr Machel's Tupolev-134 crashed in a remote part of South Africa near the Mozambican border, killing a total of 34 people, as he was returning from a summit meeting in Zambia with other African leaders. They had been discussing the difficulties caused by Pretoria's backing for rebels in the region and the economic problems posed by international sanctions against South Africa.

In keeping with a local Shangaan tradition that rain before a chief's burial is a good omen, the ceremonies took place on a wet, blustery and uncharacteristically chilly day. It was an occasion devoid of religion although many Mozambicans remain Roman Catholics under the Marxist government.

Mr Marcelino Dos Santos, a leading Politburo member reputed to be a hardline pro-Moscow ideologue, has been prominent at official functions since Mr Machel's death and delivered the keynote address at the funeral.

In an hour-long speech in Independence Square, Mr Dos Santos recalled that Mr Machel's ancestors were in the forefront of the battle against invaders from Europe while Mr Machel himself was a pillar of the ruling party, the Front for the Liberation of Mozambique (Frelimo).

"We will deepen the leading role of the party in every place; in every sector. By carrying out your guidelines, we will strengthen our army; we will pass into permanent offensive," he said.

"Eternally, you shall be Papa Samora," said Mr Dos Santos, his voice breaking with emotion. "We swear that we shall build the Mozambique of your dreams: a developed and prosperous country, the Socialist Mozambican motherland."

Mr Dos Santos is only one of the possible candidates for the presidency. Another is Mr Joaquim Chissano, Foreign Minister, a moderate seen as the natural successor to Mr Machel and his pragmatic policies.

President Machel turned increasingly to the West for help in recent years and signed a mutual non-aggression pact with South Africa in 1984 which led to the expulsion of ANC guerrillas from Mozambique.

THE LEX COLUMN

GrandMet kicks the habit

All in all Grand Metropolitan seems to have come out of its US cigarette adventure only a little scathed in dollar terms and not at all in sterling. Though it just missed selling Liggett in 1984 for $325m, when the generic cigarette price war broke out, it has since cut tobacco stocks sharply and sold the Brazilian subsidiary. So the delay might have cost Grand Met perhaps half the difference between that figure and yesterday's sale price of $137m.

A year ago the business would not have been worth even $137m to any right-minded purchaser. Its profit revival to perhaps $33m or so in the year ended September suggests an exit multiple around seven, which is about as high a rating as a sixth-ranked tobacco company with a bumpy record ought to command. And though Grand Met has not quite done to Liggett what Hanson did to SCM, it is still left with some rather profitable US businesses at a fairly low residual cost.

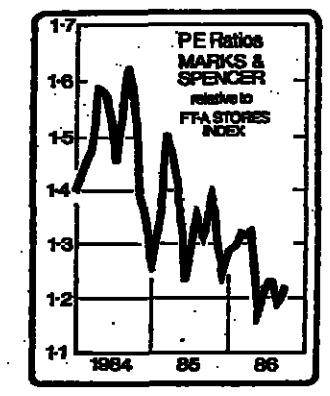
The elimination of Liggett's profits will make a dent in Grand Met's current year profits of perhaps £10m. But set against that is the strategic value of quitting a peripheral business which was capable of turning trading profits of $67m one year into $8m the next, requiring much management attention. Grand Met can now concentrate on the activities it really wants to own and it now seems content with what it's got. The market is more interested in putting multiples on the various parts and adding them up to more than the whole. With such calculations producing valuations around 575p a share, compared to yesterday's close of 438p, falling profit forecasts should not hit the shares.

Marks and Spencer

Monday's blip in Marks and Spencer's share price – a piece of Big Bang optimism perhaps – made the City look a bit grudging in its reception of some strong figures yesterday, taking the shares down 5p to 195p.

Sales growth was bang in line with the 13 per cent expected, margins moved ahead, and the falling corporate tax rate allowed first-half earnings to increase by more than a fifth.

These figures suggest that Marks may well come in with full-year earnings growth of around 15 per cent, a shade under the retail average, but a striking advance from



such a large base in a period when merchandise inflation is doing nothing to enlarge the numbers.

The best measure of progress is probably Marks' ability to absorb the sharply rising depreciation charge (and tolerate the tailing off of interest income) while producing double-figure growth in pre-tax profits. Pre-depreciation, Marks seems to have added about 1½ points to margins; after the higher charge, there is still a minute improvement at the net level.

By that yardstick, the expansion and modernisation costs look like money well-sunk, although the jury will not return for a while on the merits of buying in to the Canadian minority. But with no help from some conventionally flattering accountancy – such as capitalisation of interest – Marks is at an historically small premium to the sector when the reverse might be more reasonable.

Pensions

Stripping surpluses out of the pension funds of acquired companies may be universally regarded as the ethical pits, but it is hard to see what the pensioners of Courage, and their trades union representatives, can gain from their protest except sympathy. When Imperial fell to Hanson Trust, the Courage pension fund may have been in surplus to the tune of £100m or so. The problem arises in the definition of a surplus: for Hanson, and presumably Courage's new owner, Elders, this surplus was just another piece of idle capital at Imps. For Imps, and the members of the scheme, the surplus was no surplus because the scheme had got used to inflation-proofing benefits out of it. This is bad luck on actual and prospective pensioners at Courage under new ownership. But so long as the actuaries are satisfied that the fund transferred is funded to the hilt, Hanson will continue to say it has fulfilled its obligations.

Home loans

The share price and convertible of National Home Loans have been under water ever since the business was floated a year ago, but yesterday's maiden preliminary announcement may do something to mop up the City of London's scepticism. Whatever Home Loans is – and its business strategy appears to be under constant review – it is great at asset creation and very agile.

At the interim stage last May, Home Loans had picked up a meagre £21m in mortgage assets from local authorities. However, the boom in endowment mortgages and the enthusiasm of the life offices for disposing of the actual mortgage bit of them have changed the picture beyond recognition. Home Loans picked up £300m in mortgages in the second half and would be confidently writing £50m a month if it were not pressing the edges of its borrowing limit at 10 times a £46m equity base. Like everybody else, Home Loans is promising mortgage-backed bonds by the end of the year to free up its balance sheet; for the moment, it has made yet another about-turn and started broking about the same monthly volume of mortgages for Barclays for a fee that presumably covers the expense of the new business.

Home Loans is now seeking to double its gearing limit and has sweetened holders of the convertible by the offer of another 25 basis points on their coupon. So long as neither mortgage turnover or the rate structure goes wonky, Home Loans could now theoretically earn enough on £50m a month – say, £9m pre-tax this year against yesterday's £2.8m – to tempt the loan stock holders to convert in November 1987, thus doubling the equity base.

This is quite an act of faith for investors, who have had a bumpy enough ride. The mortgage market is not expected to grow so fast next year, and the endowment sector not at all if rising rates make it more expensive to service than repayment mortgages. And unless Home Loans can crack the problem of securitisation, and offer its lenders a way out, it will continue to risk a margin squeeze by paying over the odds for short-term funding.

Fujitsu and Hitachi plan joint chip design

By Louise Kehoe in San Francisco

TWO OF JAPAN'S largest electronics companies, Hitachi and Fujitsu, are collaborating on the design of an advanced microprocessor chip with which they aim to challenge the US semiconductor industry's domination of the world microprocessor market.

Coming on the heels of the announcement last week that Fujitsu had signed an agreement in principle to acquire an 80 per cent stake in Fairchild Semiconductor, a leading US chipmaker, the microprocessor development signals a significant escalation in Japanese efforts to increase their share of the $20bn world semiconductor market.

Hitachi and Fujitsu said that they will co-operate in the development of a new family of 32 bit microprocessor chips, support equipment and software. The companies aim to bring their new products to market by late 1987.

"This represents a major threat to the US semiconductor industry," said Mr Sheridan Tatsuno, a semiconductor industry analyst at Dataquest, a US market research firm. "On a scale of one-to-ten in terms of its impact on the US industry, this has to rank close to a ten."

Thirty-two-bit microprocessors are the latest generation of complex logic chips that form the brains of small computers. Currently only US chip-makers offer these very advanced devices.

Intel, the leading US microprocessor manufacturer, spent $100m on a five-year project to develop its 32-bit micro introduced a year ago. Motorola and National Semiconductor also offer 32-bit microprocessors.

With earlier generations of microprocessors, US chip-makers have licensed Japanese companies to produce the chips. Intel has a licensing agreement with Fujitsu, while Motorola has a similar arrangement with Hitachi. The US companies have also licensed European and other US companies to make their microprocessors.

The US microprocessor designers have, however, so far been reluctant to license their new 32 bit designs to third parties. IBM has a licence to make Intel 32 bit chips, but only for its own use.

Rather than wait for the US microprocessor designs, the Japanese semiconductor industry has sponsored a University of Tokyo project aimed at developing a new standard operating system for microprocessors.

Long shadows in Silicon Valley, Page 22

Foreign groups in UK sack more staff but win loyalty, says study

BY PHILIP BASSETT, LABOUR EDITOR IN LONDON

FOREIGN-OWNED companies operating in the UK have made larger cuts in their workforces in the past six years than indigenous companies, according to a forthcoming study. They are also better at communicating with their employees and winning their loyalty.

The study, part of a larger survey to be published in full next year, has been submitted to the all-party House of Commons employment select committee as part of its investigations into the industrial relations practices of overseas companies working in the UK.

Compiled by Mr John Purcell of Templeton College, Oxford, and Mr Paul Marginson, Dr Paul Edwards and Professor Keith Sisson of Warwick University, the survey is likely to be one of the hardest pieces of up-to-date statistical evidence on the controversial issue of how foreign companies operating in the UK manage their employees.

Among the principal findings of the unpublished survey are:

● Employment. A higher proportion of foreign-owned companies – about 40 per cent – reduced their labour force by more than a quarter since 1980, compared with only 25 per cent of UK companies making the same reductions. Cuts of between 10 and 25 per cent took place in a third of foreign companies, compared with a quarter of UK concerns.

● Management. Foreign-owned companies see a much higher degree of centralised control exerted by head offices, with double the number of foreign companies using much more widely collected establishment level information on issues such as employment, turnover, pay and industrial action as a basis for headquarters decisions.

● Communication. Communication practices are much more extensive in foreign-owned companies than in those UK-owned. Systematic chains of communication are the policy of only 58 per cent of UK companies, for instance, but of all foreign-owned companies. Twenty-six per cent of UK companies survey or ballot their employees compared with 53 per cent of foreign-owned.

More foreign companies – 70 per cent – give information to their employees on investment plans, compared with 57 per cent of UK plants, though foreign companies are much less likely than UK firms to encourage profit-sharing and share ownership.

● Unions. The survey finds no evidence to support the idea that foreign-owned companies are more likely than those owned in the UK to be anti-union: 90 per cent of both foreign and UK-owned companies surveyed recognise a union for their manual workers.

Most enterprises use collective bargaining although the survey finds a marked tendency in foreign-owned companies for single-employer bargaining, rather than bargaining by employers' bodies. Ten per cent of UK companies studied had no collective bargaining for their manual employees – twice the figure of foreign-owned firms.

The incidence of industrial action in both is low, and little different from each other, though since these figures stem from 1983 onwards they may reflect the generally low level of strike activity. There are also similar levels of increased use of temporary and sub-contracted workers.

The authors conclude that "rather more foreign-owned than British firms used a wide variety of methods to communicate with employees and find means of gaining employee loyalty and commitment." They devote more resources to personnel matters, and the report says that they "appear to be more advanced in their adoption of modern human resource management."

The survey looks at 143 companies in all, across six industrial sectors. All were multi-plant companies with more than 1,000 employees.

Swedish unions may step up action today

BY SARA WEBB IN STOCKHOLM

SWEDISH public-sector workers are expected to decide today whether to go ahead with their threats to step up industrial action and hit the country's exports, imports, goods traffic and electricity production.

The new wave of industrial action was due to take effect from midnight on Monday, but TCO-S (the union confederation which represents some 270,000 white-collar state employees) agreed at the last minute to postpone the strike for 48 hours.

TCO-S now has until midnight tonight to decide whether to call out 7,000 members working in the Customs offices, railways, Post Office and at two of the four nuclear reactors at Ringhals near Gothenburg. Another 25,000 members would stop working overtime.

The 48-hour truce followed requests from the state and local authority employers' organisations that the six union confederations resume negotiations with the state-appointed mediating commission.

For the last 10 days, all but one of the union confederations have been holding direct negotiations with employers' organisations. Now that direct negotiations have clearly failed, the unions have met the mediating commission again, but with no sign yet of a settlement.

KTK, the white-collar municipal workers' union confederation, still has 30,000 members on strike, including administrative staff, nurses and teachers, with another 200,000 members refusing to work overtime.

KTK broke off negotiations with the employers last week but has joined in the talks with the mediating commission. Mr Sture Nordh, KTK's chairman, said that he had no plans to call off the strike among his members.

The unions have been pressing for a wage increase of 9 per cent over the two-year period 1986-87, whereas the employers have said that they cannot go above an increase of 8.46 per cent. Mr Kjell-Olof Feldt, Finance Minister, has already warned that the unions' demands would lead to increases in unemployment and inflation.

SE admits computer cannot cope

Continued from Page 1

per cent majority, will be held on November 11 and 12.

Mr Bill Allen, a director of Greenwell Montagu Gilt-Edged, a Midland bank subsidiary, said: "The stock exchange always favours Topic whereas Isro might let Reuter develop. We need the advantages of more competition in what is a highly specialised service. I am much more nervous about the merger this week than I was last week."

Although trading was of lower than average volume, page requests for Topic reached 99 per cent of capacity. Without changes made by the exchange's engineers on Monday, that alone would have precipitated a failure. Mr Michael Newman, deputy director of information systems at the exchange said that, in the development period, he had increased Topic's capacity by 50 per cent, but 100 per cent would have been more accurate: "That is what is making us uncomfortable and why we are thinking about installing more computers," he said.

Furthermore although Seaq has been tested to 40 transactions a second (quotes input or changed or bargains recorded are transactions), Mr Newman said that Topic is struggling at 12 to 15 transactions a second.

Yesterday, peak trading volume was 15.5 per second, sufficient by itself to threaten the system's integrity.

Mr Newman argued that much of the fault lay in the short timescale allowed for Seaq development: "If you had given me four years instead of two, I could have built a really rugged and powerful system."

The company news announcement service has also been truncated, a move which provoked anger among the large institutional investors. They are denied access to an alternative company news service which is limited to stock exchange members.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	21	70	Malta	R	15	59	Rhodes	S	23	73
Algiers	F	21	70	Edinburgh	R	10	50	Manchester	C	16	61	Rio de J'o	S	28	82
Amsterdam	R	13	55	Faro	S	23	73	Manila	S	33	91	Rome	S	19	66
Athens	R	19	66	Florence	C	15	59	Melbourne	—	—	—	Salzburg	S	8	46
Bahrain	S	30	86	Frankfurt	C	8	46	Mexico City	C	22	72	San Francisco	F	10	50
Bangkok	S	32	90	Funchal	C	22	72	Miami	S	23	73	Seoul	S	8	46
Barcelona	F	15	59	Geneva	C	10	50	Milan	S	15	59	Singapore	T	28	82
Beirut	—	—	—	Gibraltar	C	21	70	Montreal	C	8	46	Stockholm	B	7	45
Belfast	C	11	52	Glasgow	D	9	48	Moscow	S	4	39	Strasbourg	C	10	50
Belgrade	F	13	55	Guernsey	C	14	57	Munich	S	10	50	Sydney	F	17	63
Berlin	C	11	52	Helsinki	C	8	46	Nairobi	R	25	77	Taipei	S	26	79
Biarritz	S	19	66	H. Kong	R	22	72	Naples	S	18	64	Tangier	S	24	75
Bombay	S	35	95	Innsbruck	S	8	46	Nassau	—	—	—	Tel Aviv	S	27	81
Bordeaux	C	16	61	Inverness	F	10	50	New Delhi	S	31	88	Tenerife	S	27	81
Brussels	R	12	54	Islamabad	S	31	88	New York	S	13	55	Tokyo	S	18	64
Budapest	S	13	55	Istanbul	D	15	59	Nice	S	19	66	Toronto	S	5	41
B. Aires	R	29	84	Jakarta	R	30	86	Nicosia	—	—	—	Tunis	T	14	57
Cairo	S	30	86	Jersey	D	15	59	Oporto	S	17	63	Valencia	S	21	70
Cape Town	S	24	75	Jo'burg	C	21	70	Oslo	C	10	50	Venice	S	15	59
Caracas	C	25	77	Lima	C	20	68	Paris	Fg	13	55	Vienna	S	10	50
Casablanca	S	20	68	Lisbon	S	19	66	Peking	S	8	46	Warsaw	C	9	48
Chicago	S	8	46	London	C	16	61	Prague	S	10	50	Washington	S	12	54
Cologne	D	11	52	Los Angeles	C	15	59	Reykjavik	Sl	1	34	Zurich	F	5	41
Copenhagen	R	8	46	Luxembourg	D	7	45								
Corfu	S	20	68	Madrid	S	17	63								
Dallas	S	11	52	Majorca	C	19	66								
Dublin	F	13	55	Malaga	S	22	72								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

France rules out arms sales

Continued from Page 1

($140m) over five years. By chance, this expires on Saturday and requires unanimity for renewal.

The Foreign Secretary said the forthcoming official and ministerial meetings would consider the possibility of action in relation to arms sales to Syria; high-level visits to and from the country; the activities of Syrian embassies in member states; and security arrangements affecting the operations of Syrian Arab Airlines.

The problem of securing protection of the interests of the 250-strong British community in Syria, he added, lay in the attitude of the Syrian authorities towards the choice of a protecting power.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday October 29 1986

Output boost for Terex UK after link with US

BY NICK GARNETT IN LONDON

TEREX EQUIPMENT, the Scottish construction equipment manufacturer, is to re-merge with its US namesake, Terex of Hudson, Ohio, under a deal announced yesterday which is expected to result in all the US production being transferred to Scotland.

The two businesses are being bought by Northwest Engineering, a Wisconsin-based construction equipment maker.

Terex Equipment, which employs 750 people at Newhouse, near Motherwell, making rigid and articulated dump trucks, front-end loading shovels, scrapers and crawler tractors, is a subsidiary of General Motors, the US automotive group.

The US business has been under US bankruptcy code Chapter 11 protection from its creditors since 1983.

Both businesses were originally owned by General Motors, which sold them six years ago to IBH, then a fast growing West German construction machinery and engineering company, when it decided to quit the construction equipment market.

IBH collapsed three years later and in 1984 GM bought back the Scottish operation. It had retained ownership of the US company's site at Hudson, Ohio. Now, under a reorganisation scheme agreed by the US bankruptcy court, it is to receive preferred stock in the US Terex company and most of its assets in the light of its position as a major creditor. It is selling these on to Northwest along with the Scottish operations.

Northwest would not say yesterday how much it was paying, or how much work would be transferred to Scotland. But it is understood that the US arm, the smaller of the two, making a similar range of products to Scotland, will become primarily a sales, service and warehousing operation.

"This should provide an opportunity to consolidate Terex's operating base leading to an upgrading of our product line and maximisation of sales, parts and service opportunities throughout the world," said Mr Robert McCabe, Terex Equipment's chairman and managing director.

Winterthur forecasts improved profits

By William Dullforce in Geneva

WINTERTHUR, the Swiss insurance group, should achieve higher consolidated net earnings in 1986 than the SFr 141.5m ($86m) recorded last year despite a stagnation in gross premium income expressed in Swiss francs, Mr Peter Spalti, the managing director, said yesterday.

The parent company expects to pay an unchanged dividend of SFr 57 a share on the increased capital, which has risen to SFr 136m from SFr 125m following a one-for-five rights issue of participation certificates earlier this year.

Held back by the effect of the lower dollar exchange rate, group premium income will only just reach last year's SFr 7.73bn. Well over half Winterthur's premium income on non-life insurance is generated abroad, with some 24 per cent coming from North America. The group has discarded its reinsurance business in the US this year.

In local currency terms group premium income has continued to grow in 1986 and the outlook for further increase both abroad and in Switzerland remains good, Mr Spalti said.

Claims in the non-life sector have advanced considerably during the year, partly because of a freak-hail-storm in Switzerland in August which caused damage amounting to SFr 40m. Returns from life insurance have been satisfactory, Mr Spalti said.

US BIOTECHNOLOGY GROUP MOVES TO BUY BACK RESEARCH UNITS

Genentech in $440m share offer

BY RODERICK ORAM IN NEW YORK

GENENTECH, the bio-technology company, is offering shares worth $440m to buy out ahead of schedule investors in two of its research and development partnerships. In this way it hopes to maximise the commercial benefit to the company of the drugs developed through the programmes.

The San Francisco-based company raised $89m through the partnerships in 1982 and 1983 as a way of funding research and development until its own cash flow picked up from commercialisation of biotechnology products.

"Genentech has in essence completed its R and D phase as a company," Mr Robert Swanson, its chief executive, said. It will be able to fund its own R and D in future from its rapidly growing cash flow.

Majority approval of the plan is required from the 1,100 investors involved in Genentech Clinical Partners, established in 1983 through a private placement, and Genentech Clinical Partners II set up similarly a year later.

Genentech is offering 3,000 of its shares for every $50,000 partnership unit of GCP and 2,500 shares for each unit of GCP II. At the current share price of about $80, the terms represent a 63 per cent and 87 per cent annualised return on investment respectively, almost double the return estimated when the partnerships were formed.

The transactions would appear as a one-off non-cash expense of about $300m in the company's fourth-quarter results.

If the buyouts are completed, Genentech will own the exclusive US rights to products owned currently by the partnerships – Protropin, a human growth hormone, gamma interferon, used to treat tumours, and Activase, a tissue plasminogen activator for treating blood clots.

Protropin has annual sales already of about $50m a year while gamma interferon is in the final stage of clinical trials and the company is seeking regulatory approval for sale of Activase.

Under the original terms, the first partnership would have been bought out in 1988 and the second two years after Activase won approval. But the company was proposing the early buyout to get the most favourable tax and accounting treatment on the transaction and to derive the maximum commercial benefit by, for example, eliminating royalty payments to the partnerships.

Its remaining partnership is in a much earlier state of R and D and will be continued with its investors receiving later royalties and warrants to buy Genentech shares.

Asarco makes strong return to the black

By Our Financial Staff

ASARCO, the leading US non-ferrous-metal producer, made a strong recovery to profit in the third quarter after 10 consecutive quarters in loss.

The group turned in a profit of $17.83m, or 42 cents a share, compared with a loss a year ago of $7.13m, or 40 cents, helped by gains from currency translation on associates, $8m from liquidation of excess stocks and lower operating and overhead costs.

For the nine months there was a loss of $19.09m, or $1.23 a share, down from $37.24m, or $1.81, on sales lower at $801.8m, compared with $859m. In the latest quarter revenue dipped to $252.7m down from $291.4m a year ago.

The recovery was also aided by improved results with full operation of the Tennessee zinc mines, which were on strike a year earlier and sale of the company's interest in a Canadian lead-zinc mine.

Chrysler's Italian contract completed

BY TERRY DODSWORTH IN NEW YORK

CHRYSLER, the smallest of the big three US car companies, will launch its new Italian-built $30,000 luxury sports car next year and is planning to sell at least 10,000 vehicles per annum under a contract completed this week.

According to a spokesman for De Tomaso Industries, the US-based car distribution company which owns the majority stake in the Italian company, Maserati, the deal also entails the development of a four-door luxury car and a third vehicle which is likely to be a sports-type car.

The contract between Chrysler and Maserati, a small producer of specialised cars, reflects the increasing links established by US car manufacturers with overseas producers over the past few years.

Rather than develop their own facilities in the US, they are seeking to fill out their product ranges with both cheap, small vehicles from the Far East, and luxury, high-performance models from Italy.

De Tomaso, which imports between 1,500 and 1,800 Maserati-built cars to the US a year, said yesterday that it will book a fourth quarter gain of over $15m from the initial Chrysler deal. Chrysler is raising its equity stake in Maserati by buying out a portion of De Tomaso's interests to 15.6 per cent from 3.5 per cent at a cost of $33m.

As a result of the financial agreements, which are substantially the same as negotiated last summer, De Tomaso's stake in Maserati will fall to 51 per cent, with the balance not owned by Chrysler staying in the hands of GEPI, an Italian Government body. Over the longer term, Chrysler has the option to increase its shareholding to 51 per cent.

Maserati currently makes only between 6,000 and 8,500 vehicles a year.

Petro-Canada refinery finds buyer

By Robert Gibbens in Montreal

PETRO-CANADA'S 100,000 barrels a day refinery at Come-By-Chance, Newfoundland, has at last found a buyer after lying mothballed for a decade.

Newfoundland Energy, a Bermuda-based company, has been formed to reactivate the refinery for C$20m (US$14.3m) by next June. A further C$50m will be spent in 1988.

The refinery was built by US financier John Shaheen in 1973 for C$200m but operated below capacity until it closed in 1976, a victim of the first world energy crisis. In 1981, it was sold to Petro-Canada for $15m.

The new company will sell most of the refinery's production to Cumberland Farms, one of the largest independent retailers of petroleum products in the northeastern US.

Property sales lift Skanska

By Kevin Done in Stockholm

SKANSKA, the Swedish construction, property and investment company, expects profits before tax and allocations to exceed SKr 900m ($129m) this year despite losses from its construction operations.

Skanska's earnings were SKr 919m in 1984 and SKr 811m last year, after reaching SKr 1.63bn in 1983 and SKr 1.55bn in 1982.

In the first eight months of 1986 it has staged a minor recovery, however, with earnings rising 31 per cent to SKr 769m compared with SKr 586m in the corresponding period of 1985.

The group said it had had to make heavy provisions against the risk of losses on several current construction projects. Losses from construction operations totalled some SKr 50m in the first eight months compared with a profit of SKr 47m a year earlier.

Earnings this year have been boosted, however, by net extraordinary gains of SKr 145m and earnings from the sale of investment properties jumped to SKr 157m from SKr 25m last year.

Skanska is one of Sweden's largest private property owners, and an increasing share of its construction operations consists of properties built for its own account. It has built about 80 per cent of the properties it owns and manages today.

At the end of August it also had an equity portfolio with a market value of SKr 6.5bn and a book value of SKr 3.28bn.

Skanska expects group turnover this year to total some SKr 15.4bn compared with SKr 14.9bn in 1985. The value of the group's construction order book totalled some SKr 9.7bn at the end of August compared with SKr 10.4bn a year earlier.

New orders from the Swedish market rose by 10 per cent, but orders from abroad fell and foreign construction work now accounts for only 20 per cent of the order book compared with 24 per cent 12 months ago.

Cummins losses up sharply in quarter

BY DAVID OWEN IN NEW YORK

CUMMINS ENGINE, the Indiana-based diesel engine manufacturer, reported a third-quarter net loss of $116.9m, or $11.01 per share, compared with a corresponding loss a year earlier of $8.5m, or 90 cents per share.

Figures for the latest quarter included a $134.9m pre-tax unusual charge associated with worldwide consolidation of manufacturing operations and workforce reductions. Net operating loss for the quarter totalled $15.2m.

In the first nine months, the company returned a net loss of $109.8m, or $10.84 per share, compared with net earnings of $34.8m, or $3.64 per share, in the first nine months of 1985. Sales rose marginally to $1.7bn from $1.6bn a year earlier.

The company says it expects fourth-quarter operations to improve on third-quarter levels on the back of higher sales. An operating loss had been widely anticipated in the third quarter due to a seasonal drop in sales, market softness and a continued shift in sales to the company's newer engine models which have yet to achieve target profit margins.

Actions over the next two years, covered by the unusual charge, will reduce worldwide engine manufacturing and distribution floor space by some 19 per cent. Facilities to be closed include the company's components plant in Darlington, UK.

Sanofi suffers 17% fall in six-month income

BY PAUL BETTS IN PARIS

SANOFI, the French health care and beauty products company controlled by the Elf-Aquitaine oil group, has reported a 17 per cent fall in first half consolidated net earnings to FFr 191m ($29.2m) from FFr 231m for the first six months of last year.

Consolidated sales in the first half also declined by 2.1 per cent to FFr 5.86bn from FFr 5.99bn in the same period last year.

For the first nine months, the company said sales totalled FFr 8.8bn or 0.8 per cent less than the FFr 8.87bn reported in the first nine months of last year. This followed a 2.1 per cent increase in sales in the third quarter of this year over the same period the year before.

The group said the earnings fall in the first half reflected a number of factors including a 26 per cent increase in research and development spending, the difficult environment for the company's bio-industrial activities, and lower profit margins in its perfume and beauty products businesses due to intense competition and lower sales in the Middle East.

Banks to advise on AGF sale

By Paul Betts in Paris

THE FRENCH finance and economy ministry yesterday selected Banque Indosuez and Crédit Suisse First Boston to advise it on the privatisation of Assurances Générales de France (AGF).

The large state-owned insurance group is the third of the first three nationalised groups chosen to kick off the conservative Government's ambitious privatisation programme. The other two groups are Saint Gobain and Paribas.

The Government has already chosen its advisers for these two. In the case of Paribas, the advisers are the Rothschilds and Swiss Bank Corporation, while for Saint Gobain they are Crédit Commercial de France and Kleinwort Benson.

For its part, AGF has chosen Société Générale, the large French commercial bank, to act as its lead bank in its privatisation.

French and international banks have been competing fiercely for a slice of the advisory and share placement business in the French Government's privatisation programme.

Malta insurer to boost capital by share offer

By Godfrey Grima in Valletta

MALTA'S Middle Sea Insurance company is floating a 2.5m share tranche in an effort to double its capital to M£5m ($12.4m) by mid-November.

The move, from which only existing shareholders will benefit, is aimed at meeting the demands of the company's international reinsurance partners who feel Middle Sea Insurance's growth these past four years, coupled with its future potential, calls for an immediate broadening of its capital base.

Middle Sea Insurance was created by the Government in 1981 to challenge the stranglehold foreign companies exercised on Malta's insurance portfolio, valued at an annual M£8m.

In sharp contrast to other lacklustre group sponsored by the state, Middle Sea proved an immediate success with yields last year topping 12.5 per cent as gross premiums soared to M£5.6m and profits climbed to M£429,105.

3M sets up European joint venture

By William Dawkins in Brussels

3M, the US-based multinational, has teamed up with Harris of Florida to market photocopiers and facsimile equipment throughout Europe.

The equally owned joint venture, based in Brussels, is expected to have sales of $150m in its first year through outlets in the 12 EEC member states and Sweden, Norway, Austria and Switzerland.

Harris, which is involved in information processing and telecommunications, has been distributing 3M copying equipment for 30 years through its Lanier Image Processing division.

The pair formally linked up in the US last January to market copiers and facsimile machines under the name Harris/3M, which is expected to have a $350m annual turnover.

An official said the immediate purpose of the European operation was to lift the pair's joint 10–15 per cent share of the continental market for their products to 20 per cent.

Fiat buys car heating group

By John Wyles in Rome

THE FIAT group yesterday added another string to its bow of 70 car components companies with the acquisition of a small heating and air conditioning manufacturer.

Fiat would not disclose the price it has paid for Autoclima International but said that its turnover was L27bn ($19bn) in 1985 and that the company has a leading position in the European aftermarket for car heaters and air conditioners.

Demand car air conditioning equipment is rising strongly and Fiat, which already supplies all of its own requirements, is looking to exploit this through Autoclima.

SGB plans stake in Spanish firm

By Tom Burns in Madrid

SOCIÉTÉ Générale de Belgique plans to acquire a 25 per cent stake in a Spanish portfolio management and stockbroking firm called Mercapital.

The acquisition, representing a capital increase for the Spanish company of Pta 420m ($3m), is to be approved by Mercapital's 58 present shareholders in January, Mercapital said yesterday.

The group, chaired by Spanish financier Mr Jose Maria Loizaga, was created at the beginning of this year and it was the first company to apply for inclusion in the projected second tier market of the Madrid Stock Exchange when is expected to begin business before the end of the year. Under the guidelines drawn up for the new market, 20 per cent of a company's stock will be offered to the public.

Société Générale de Belgique acquired a 50 per cent stake earlier this year in Dillon Read, the international subsidiary of the US investment bank and its move into Spain was said by Mercapital to form part of the bank's strategy of increasing its presence in foreign markets.

The capital increase, which is hailed by the Spanish company as equivalent to the creation of a joint venture, converts Mercapital into the largest non-banking financial company in Spain

French disk venture collapses

BY PAUL BETTS IN PARIS

THE GROWING French venture capital sector has been shaken by the collapse of one of the largest venture capital operations ever to have been launched in France.

It involved a company called Alcatel-Thomson-Gigadisc and included among its backers some of the biggest names of French state industry, including Alcatel, Thomson, Rhône Poulenc and financial groups like Suez, Société Générale and BNP. Société Générale de Belgique had also taken a stake in the venture.

The venture, which was under the control of the Alcatel telecommunications group, has just been wound up after plunging in the red. The company was expected to lose FFr 65m ($9.7m) this year on sales of only FFr 45m. After an initial investment of about FFr 200m, the company had been losing money consistently since it was launched with great fanfare at the end of 1984.

The company sought to manufacture and market worldwide an optical disk and a digital optical disk drive called Gigadisc for the mass storage of data and other related applications. The laser optical storage device was originally developed by the Thomson CSF group and the Gigadisc made its first public appearance at the Las Vegas electronics show in December 1983.

However, after the telecommunications merger between Alcatel and Thomson, the Gigadisc operations fell into the orbit of Alcatel, the telecommunications group

Alcatel, which up to then had not been involved in the optical disk sector, decided to turn the Gigadisc activities it absorbed into a separate venture capital operation.

The backers of the venture all saw a promising future for the French optical disk technology. But the venture and its promoters appear to have badly misread the market for optical storage disks.

INTERNATIONAL COMPANY NEWS

North American quarterly results

AMP
Electrical equipment

Third quarter	1986 $	1985 $
Revenue	481.4m	398m
Net profits	42.1m	21.6m
Net per share	0.39	0.20
Nine months		
Revenue	1.43bn	1.22bn
Net profits	118m	88.1m
Net per share	1.08	0.80

BAXTER TRAVENOL LABORATORIES
Hospital supplies

Third quarter		
Revenue	1.4bn	717m
Op. Net profits	49m	41m
Op. Net per share	0.18	0.26
Third quarter		
Revenue	4.1bn	1.5bn
Op. Net profits	122m	115m
Op. Net per share	0.42	0.78

CONTINENTAL AIRLINES
Texas Air unit

Third quarter	1986 $	1985 $
Revenue	548.4m	479.4m
Net profits	65.1m	41.3m
Net per share	2.12	1.43
Nine months		
Revenue	1.45bn	1.288bn
Net profits	*15.3m	91.7m
Net per share	†0.31	3.19

† Loss * after $80m chapter 11 costs

CELANESE CORPORATION
Man-made fibres, chemicals

Third quarter	1986 $	1985 $
Revenue	683m	755m
Net profits	60m	47m
Net per share	4.37	3.73
Nine months		
Revenue	2.16bn	2.29bn
Net profits	186m	128m
Net per share	13.89	9.65

CENTEL
Telephone services, electricity

Third quarter	1986 $	1985 $
Revenue	347.8m	338.9m
Net profits	37.98m	36.20m
Net per share	1.36	1.39
Nine months		
Revenue	1.01bn	1.01bn
Net profits	104.5m	94.5m
Net per share	3.74	3.57

R.R. DONNELLEY AND SONS
Largest US printer

Third quarter	1986 $	1985 $
Revenue	543.4m	529.4m
Net profits	43.19m	43.1m
Net per share	1.19	1.13

DUKE POWER
Electric utility

Third quarter	1986 $	1985 $
Revenue	946.4m	781.2m
Net profits	152.5m	119.4m
Net per share	1.27	1.08

ENGELHARD
Metals refiner

Third quarter	1986 $	1985 $
Revenue	553.3m	533.4m
Net profits	12.2m	9.5m
Net per share	0.45	0.35
Nine months		
Revenue	1.6bn	1.6bn
Net profits	39m	31.5m
Net per share	1.44	1.17

FORD MOTOR OF CANADA
90% owned by Ford Motor

Third quarter	1986 $	1985 $
Revenue	3.1bn	3bn
Net profits	†19m	28m
Net per share	†1.60	3.35
Nine months		
Revenue	10.7bn	9.86bn
Net profits	38m	194m
Net per share	4.02	23.45

† Loss

FMC CORPORATION
Defence, oilfield equipment, chemicals

Third quarter	1986 $	1985 $
Revenue	808.2m	778.6m
Net profits	28.8m	58.0m
Net per share	0.39	0.40
Nine months		
Revenue	2.29bn	2.48bn
Net profits	101.7m	157.5m
Net per share	0.95	1.07

FREEPORT-McMORAN
Fertilisers, oil and gas

Third quarter	1986 $	1985 $
Revenue	132.1m	181.5m
Net profits	15.0m	50.7m
Net per share	0.22	0.75
Nine months		
Revenue	458.1m	567.1m
Net profits	*4.71m	87.0m
Net per share	0.07	1.43

* After $277m pre-tax assets writedown

FUQUA INDUSTRIES
Garden equipment

Third quarter	1986 $	1985 $
Revenue	193.5m	200.1m
Net profits	11.8m	6.4m
Net per share	0.56	0.31
Nine months		
Revenue	603.5m	550.9m
Net profits	43.2m	26.2m
Net per share	2.04	1.27

GERBER PRODUCTS
Baby foods, trucking

Second quarter	1986-7 $	1985-6 $
Revenue	274.4m	252.9m
Net profits	13.0m	12.5m
Net per share	0.63	0.61
Six months		
Revenue	509.4m	480.9m
Net profits	19.8m	23.5m
Net per share	0.95	1.16

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INTERNATIONAL COMPANIES and FINANCE

Indian capital issues double

By John Elliott in New Delhi

THE VALUE of stock market capital issues approved by India's Ministry of Finance during the last seven months has almost doubled compared with the same period last year to Rs 28.7bn ($2.3bn).

The figures, announced yesterday by Mr Vishwanath Pratap Singh, Minister of Finance, reflect the continuing boom in India's stock markets, despite a decline in share prices during the past few months.

The boom follows liberalisation of economic and industrial policies in India during the past four years and especially since Mr Rajiv Gandhi became Prime Minister two years ago.

The approvals for this month alone total Rs 8.7bn, a record which almost equals the total for the whole of 1982, when the liberalisation policies were beginning.

In the 1985-86 financial year ended last March, the approvals totalled Rs 36.9bn, compared with Rs 20bn in 1984-85, which in turn was 100 per cent higher than the previous year.

Mr Singh announced that major issues cleared this month include Rs 2.18bn for Indian Rayon, run by Mr Aditya Birla's section of the Birla industrial family; Rs 1.3bn by Nagarjuna Fertilisers and Chemicals; Rs 1.2bn by the government-owned National Thermal Power Corporation; and Rs 1.1bn by Tata Chemicals.

● The government has approved a proposal by Reliance Industries, India's fastest expanding company which has faced problems recently, to issue convertible debentures worth Rs 4bn, Mr Singh announced.

But it is thought that the premium the Finance Ministry has allowed is lower than the Rs 115 a share hoped for by Reliance. Mr Singh said the premium has been fixed according to a formula which took into account the net asset value of the company.

Broker protest at Bombay SE

By R. C. Murthy in Bombay

BROKERS and jobbers refused to resume trading on the Bombay Stock Exchange yesterday in protest against new restrictions imposed by exchange authorities on transactions in 65 of the markets most active stocks and a delay in the release of share certificates seized by income tax inspectors last week.

Last night, however, the governing board of the exchange decided to relax these restrictions although retaining some safeguards. Brokers are expected to resume trading for an hour today after a lapse of six days.

There will be no trading from tomorrow, and normal business is expected to return to the market only next week

Plunge at NEC, Mitsubishi Electric

BY YOKO SHIBATA IN TOKYO

NEC and Mitsubishi Electric Corporation, two of Japan's flagship exporters of electrical and electronic products, were yesterday the latest to report earnings severely affected by the surge in the yen's value, with pre-tax profits in the half-year to September having been cut by more than 60 per cent in each case.

Mitsubishi Electric intends to lower its interim dividend by Y1 to pay Y3 per share. As a step to weather the difficulties, both companies say they plan to expand output at their existing overseas subsidiaries and boost procurement of imported materials.

NEC's pre-tax profits fell 66.5 per cent to Y20.14bn ($125.3m) with net profits of Y15.94bn, down 50.3 per cent. The earnings fall was also attributed to the drop in semiconductor prices.

Half-year sales rose by 6.6 per cent to Y1,001.84bn, helped by steady shipments of computers both at home and abroad. NEC is among the few electronics companies which have reported a sales gain for the period, despite their relatively heavy dependence on exports for their income.

Sales of its computers surged by 22.8 per cent to account for 40.3 per cent of total turnover. Sales of communication equipment rose a marginal 0.2 per cent to account for 34.5 per cent of the total, while those of electronic devices, such as semiconductor chips, dropped by 3.1 per cent to account for 19.1 per cent of all sales.

The company's export ratio was down to 29 per cent from 34 per cent for the first half of the previous year. Domestic sales benefited from growth in general-purpose and personal computers.

The yen's appreciation against the dollar in the April-September period generated an exchange loss of Y29bn.

For the current half-year, NEC foresees an upturn of demand for communications equipment and computers from the public sector, and higher exports of computers, chiefly to Honeywell of the US and Bull of France, and an improvement in the electronic devices market.

Full year pre-tax profits are projected at Y55bn, showing a smaller decrease of 58.2 per cent than the fall for the first half. Net profits are expected to reach Y32bn, down 40 per cent from a year earlier.

NEC's investment in plant and equipment for the full-year is to be slashed by Y20bn to Y170bn, the cut to be carried out chiefly in the electronics devices sector.

At Mitsubishi Electric half-year pre-tax profits plunged by 60.2 per cent to Y11.26bn, and net profits were down by 44 per cent to Y6.86bn. The yen's surge clipped the company's export proceeds by as much as Y40bn.

Half-year sales came out at Y880.75bn, down 0.2 per cent. Its exports fell by 14 per cent.

Sales of semiconductors, car components, wide-screen television sets and video cassette recorders increased. However, remand for heavy electrical and industrial equipment was sluggish due to a cut in private sector capital spending.

For the current half, Mitsubishi Electric expects much harsher price undercutting competition domestically, with exports expected to remain slow. Full-year sales are projected at Y1,800bn, down 1.2 per cent. Pre-tax profits are expected to reach Y26bn, down 35.5 per cent, with net profits of Y12.5bn, halved from the previous year.

Lonrho's South African platinum offshoot ahead

BY JIM JONES IN JOHANNESBURG

WESTERN PLATINUM, Lonrho's 50.4 per cent-owned South African platinum mining subsidiary, increased its sales and profits sharply in the year to September but has become more secretive

Previously the mine disclosed details of its production of platinum group metals (PGM), but will no longer do so. This year the company says simply that it milled 2.09m tonnes of ore and produced 8,257 kilograms of noble metals, which includes gold as well as PGM. In the previous financial year it milled 2.04m tonnes of ore and produced 8,222kg of noble metals.

Revenue increased to R232.3m ($101.75m) from R161.8m and pre-tax profits rose to R136.7m from R84.4m.

Mr Kevin Wilkinson, a Western Platinum director, says that the greater secrecy has been prompted by the fact that competitors "are fishing around." He says that Rand Mines and Gold Fields of South Africa (GFSA) have recently started exploring ground near Western's mine

Island and Peninsula cuts payout after sharp decline

BY WONG SULONG IN KUALA LUMPUR

PRE-TAX profits of Island and Peninsula, a big Malaysian plantation and property group, fell 47 per cent to 7.6m ringgit (US$2.9m) for the six months to July, and I&P is cutting the interim dividend from 12 cents to 7 cents.

Net profits were 58 per cent lower at 3.3m ringgit.

The group said its earnings were adversely affected by significantly lower prices for oil palm, although its property division "performed up to expectations" despite the depressed property market.

Turnover fell by 19 per cent to 31.7m ringgit.

For the second half, I&P said poor oil palm prices would continue to affect profits, but it expects better earnings from its property arm, with the launching of several new projects.

I&P's listed 58 per cent subsidiary, Austral Enterprises, reported a 82 per cent drop in its after-tax profit to 457,000 ringgit for its first half, on turnover which fell by 10 per cent to 10.2m ringgit. Apstral is cutting the interim dividend from 10 cents to 3 cents.

Iscor raises output and sales

BY OUR JOHANNESBURG CORRESPONDENT

ISCOR, the South African state-owned steelmaker, increased production and sales in the year to June but is concerned that imports of subsidised steel could affect domestic markets.

Liquid steel production rose to 7.19m tonnes from 6.53m tonnes and sales of steel products increased to 5.69m tonnes from 5.29m tonnes.

Sales revenues rose to R3.90bn ($1.7bn) from R3.12bn, partly because of a substantial increase in iron ore export revenues, according to Mr Floors Kotzee, Iscor's chairman. Exports to established markets were helped by the weak rand, but appear to be threatened by trade sanctions voted by the US Congress. In 1984 South Africa was given guaranteed access to the US market in exchange for an agreement to limit volumes of steel exported to the US.

Mr Kotzee says that imports of dumped steel could seriously affect Iscor's capacity utilisation and its ability to employ people.

Trading profit on an historical cost basis increased to R563m from R414m, while the pre-tax profit calculated on a current cost basis rose to R172m from R33m.

Sanlam increases income

SANLAM, South Africa's second largest mutual life assurer, increased its premium income by 30 per cent and investment income by 23 per cent in the year to June, writes Our Johannesburg Correspondent.

Premium income rose to R2.09bn ($915.5m) from R1.61bn and investment income increased to R1.08bn from R872m. The book value of group assets increased to R9.6bn from R7.8bn.

Mr Pierre Steyn, the managing director, says that Sanlam's marketing success was largely due to its ability to introduce new policies.

Sanlam is one of the six major corporations which dominate South Africa's private sector. Its principal indirect subsidiary is Gencor, the country's second largest mining house. Sanlam also controls Trust Bank, the country's fifth largest banking group, and South Africa's Nissan, the fifth largest car maker.

Nat Ned plans Australian offer

Nationale - Nederlanden, the Dutch insurance group, plans a A$72.8m (US$46.7m) tender offer for the 50 per cent public holding in Mercantile Mutual Holdings, its Australian insurance affiliate, AP-DJ reports from The Hague.

Nat Ned said it would offer A$9 per share for the remaining stock, which is traded on the Sydney Stock Exchange. It acquired its half in 1981.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

IBCA survey shows strong rise in banks' real profitability

A STRONG improvement has occurred in international banks' real profitability — the return they earn on their equity adjusted for the rate of inflation, David Lascelles, Banking Correspondent reports.

According to the latest annual survey by IBCA, the London-based bank credit rating agency, 160 of the world's top 178 banks generated a real return last year, compared with only 79 of the 147 banks IBCA analysed four years ago.

IBCA says this improvement is explained almost entirely by lower rates of inflation. "Banks can make real profits in highly inflationary conditions, but it requires less ingenuity for them to do so when inflation is low," the firm's report says.

The main trend revealed by the report is the decline in profitability of the Arab banks, which were the highest earners in the 1980s, and their replacement by US banks. But IBCA notes that US banks have been helped to that position by the noticeably low provisions they have made against problem Third World borrowers.

Australian banks have also declined because of economic pressures and increased competition in their home markets. On the other hand, Swedish banks have improved.

The most profitable German bank is Deutsche Bank, and the best performing UK clearer is Lloyds Bank, though the agency says: "There is nothing in the overall results of UK banks to indicate that they are overly profitable."

The consistently weakest performers are French and Japanese banks. The French banks have been hit by the need to set up large sovereign debt provisions. But IBCA says Japanese bank profits have suffered from over-regulation, loan losses on the domestic market "and wafer thin margins on their international business, as the banks pursue market share at the expense of profits."

Of the banks' healthier earnings, the agency comments: "Whatever problems lie ahead, most banks are much better positioned to deal with them than they were only a few years ago."

Banking supervisors find some grounds for harmony

BY DAVID LASCELLES

THE PACE at which international bank supervisors have moved towards a single, harmonised regulatory system for banks all over the world has always been glacial: securing agreement among dozens of countries is not easy despite the increasingly global nature of the banking business. But they inched forward again at last week's gathering Amsterdam of officials from 90 countries, including communist China and Vanuatu, the offshore banking speck in the Pacific.

Propelled by the dizzying speed of developments on the international financial front, such as deregulation and innovation, they agreed to try to set a minimum capital standard to which all banks operating across national borders must adhere.

Mr H. J. Muller, executive director of the Netherlands central bank which organised the meeting—the latest in a two-yearly series—said that there was now "a clear sense" among supervisors that this must be achieved.

What makes progress possible is that officials have overcome a number of stumbling blocks. The main one has been an acceptable definition of bank capital.

According to Mr Muller, a bank's "own funds" must have four elements: it must—

- be fully paid up
- not represent a charge on earnings
- be permanently available to absorb losses
- rank below all other claims on a bank in the event of liquidation

But officials only reached agreement on these elements at the cost of a certain vagueness. The definition says nothing about such contentious questions as hidden reserves, which are an important part of many continental banks' capital. Nor does it tackle deliberate undervaluation of assets, which is where Japanese banks store a lot of their net worth. Further work will obviously be needed.

The meeting also agreed on a number of subsidiary issues to do with capital, notably the part played by reserves set aside by banks to cover loan losses. In many respects, these fit the definition of capital, but officials decided to accept them only if they are part of a general provision, and not earmarked for a specific expected loss, such as the bankruptcy of a company or a looming default by a country borrower. This would impose a tighter discipline on banks from countries which count all provisions as reserves.

Supervisors would also welcome international banks holding their equity capital in more than one currency, particularly since most of them have a large part of their assets denominated in foreign currencies. At the moment, legal constraints mean that banks can only hold capital in another currency in the form of debt rather than equity, which supervisors view as of lower quality. A court action has been launched in the UK to test the legality of multi-currency capital which may have wide repercussions.

It was also agreed at the Amsterdam meeting that capital adequacy should be measured on a "risk asset" basis: banks should be assessed not just on the amount of assets in relation to their capital, but according to the riskiness of their exposures. This should, however, present no problems since all leading banking countries, including all the EEC, either operate a risk asset system, or are about to introduce one.

To limit risks, supervisors want to reach a similar agreement to curb concentrated exposures by banks to single borrowers or groups of borrowers. Mr Muller said officials felt that banks should report any exposures which amounted to more than 15 per cent of their capital, and should not go beyond 25 per cent, other than in exceptional circumstances. This is somewhat more generous than the levels being proposed in the new Banking Act in the UK which requires reporting at 10 per cent.

The aim in setting a minimum capital standard is to ensure that the international banking system has strong underpinnings to protect it against losses.

There appeared to be less concern at the Amsterdam meeting with the big complaint of commercial bankers that international banks should be made to abide by the same rules for reasons of competitive equality. There was apparently no discussion, for example, of the controversy over the allegedly low capital level of Japanese banks which is said to give them a strong edge in competing for foreign business.

Officials admit that they still have a big task before them, and in some respects the Amsterdam meeting only restated—albeit a bit more forcefully—the aims that international bank supervisors have pursued for many years through agencies like the Basle Committee chaired by Mr Peter Cooke of the Bank of England, who was joint chairman of the Amsterdam gathering.

But they are being prodded along by the worry that fast-moving bankers will soon be out of their reach. The earliest that any major declaration on international capital standards is likely to be made is after the next jamboree planned for Tokyo in two years' time.

Merrill earnings soar by 144%

By Roderick Oram in New York

MERRILL LYNCH, the world's largest retail securities broker, achieved strong growth in earnings and revenues for the third quarter ended September 26.

Net profits rose 144 per cent to $93.7m, or 88 cents a share, from $38.4m, or 38 cents, a year earlier. Revenues grew by 34 per cent to $2.33bn from $1.75bn a year earlier.

For the nine months the group had net earnings of $271.8m, or $2.58 a share, up from $161.6m, or $1.64. Revenue was ahead to $6.84bn, from $5.1bn.

The firm said that revenues grew in all fields in the third quarter. Although stock market activity eased from earlier in the year, commission revenues were well above those in previous quarters.

Revenues from principal transactions were near a record while investment banking, insurance, asset management and custodial fees were all strong. Assets under management at quarter end totalled $76bn, up 38 per cent from a year earlier.

Paine Webber, Merrill's smaller rival, also turned in a strong advance with net earnings for the fourth quarter of its fiscal year, up at $21.1m, from $6.75m. This took the total for the 12 months 112 per cent ahead to $71.6m.

Full-time revenue reached $2.38bn, compared with $1.89bn.

Growth in Eurobond new issuing activity

BY CLARE PEARSON

NEW ISSUING activity in Eurobonds stepped up yesterday morning following an improvement in US Treasury bond prices ahead of the auctions of seven-year Treasury notes.

But only one of yesterday's issues, $120m deal for Bank of Tokyo, had a maturity extending beyond five years. European retail investors are still wary of extending their exposure to longer maturity bonds, although dealers say that institutional investors are showing increasing interest in the longer-dated bonds.

Two single-A rated issuers, whose names appeal to European retail accounts, launched three-year bonds on similar terms.

Philip Morris's $100m 7 per cent issue, priced at 100½, was launched at a yield margin over US Treasury bonds, net of the 1¼ per cent fees, of 65 basis points. It was led by Bankers Trust International.

UBS (Securities) $100m three-year 7 per cent bond for Xerox Credit Corporation was priced at 100¼ to give a yield margin at launch of 58 basis points over US Treasury bonds.

Philip Morris's name is more popular with European investors, but the terms of both issues looked reasonable to dealers compared with secondary market trading levels of comparable bonds. Both traded at discounts to issue price at or slightly within the level of their total fees.

Bank of Tokyo International led a $120m seven-year bond for its parent Bank of Tokyo. The 8 per cent bond was priced at 101⅛ to give a yield margin net of fees of 75 basis points over US Treasury bonds.

In other currencies, Salomon Brothers International led a C$100m five-year bond for the European Investment Bank. The EIB's 9½ per cent bond was priced at 101½ and traded at discounts to issue price around the level of its total fees.

Sweden announced that it would be calling a $500m floating rate note for early redemption. The issue, due in 1999, will be redeemed next month at par.

In the D-Mark market price changes were mixed in low turnover. Deutsche Bank priced a recent DM 60m equity warrants bond for Bando Chemical Industries, the Japanese company. The five-year bond was priced with a 2¼ per cent coupon, as had been indicated. The warrants' exercise price was set at Y410, a 2½ per cent premium over Monday's closing price in Tokyo. The bond traded at a bid price of 97¼, outside the level of its 2¼ per cent fees.

In the Swiss franc bond market prices remained unchanged in average volume. Heron International's SFr 150m 10-year 5¼ per cent bond closed its second day's trading a ¼ point lower at 98¼.

Abbey National raises £100m with CDs

ABBEY NATIONAL Building Society has launched a new £100m certificate of deposit programme in the Euromarkets designed specifically to tap funds from international investors, Peter Montagnon, Eurmarkets Correspondent writes.

Citicorp, which has already been selling paper for the borrower on an informal basis, will be dealer for the programme. It said yesterday it has noted that significant international demand for high quality short-term sterling assets has not been satisfied by the volume of commercial paper outstanding.

Bankers say this has prompted a rash of sterling certificate of deposit programmes for banks, including one last week of £200m for Saitama Bank of Japan, aiming to fill the gap, but building societies have not so far targeted borrowings at international short-term investors.

● Thorn EMI, the electrical and entertainment group, has established a £100m commercial paper programme that will allow it to raise funds in both sterling and US currency.

The programme has been arranged by Morgan Grenfell and other dealers are to be County NatWest and S. G. Warburg.

Thorn said the programme would offer it an alternative source of funds for short-term financing requirements.

Tokyo faces more pressure to accept British brokers

BY IAN RODGER IN TOKYO

THE UK Government will step up pressure on Tokyo Stock Exchange (TSE) to allow more British brokerage firms to become members, if the plan to merge the London Stock Exchange and the International Securities Regulatory Organisation (Isro) is approved next month.

Sir Geoffrey Littler, second permanent secretary of the Treasury, said in Tokyo yesterday that there was provision in the Financial Services bill for demanding reciprocity with foreign financial institutions, and it could be used in this case.

The UK would have a lot of "moral leverage" on the TSE if the London Stock Exchange-Isro merger is cleared. This is because many Japanese banks and brokerage companies are members of Isro and so they would, at a stroke, become members of the London exchange.

At present, only six foreign companies have TSE memberships, obtained last December. Only S. G. Warburg is British-owned, though two others, Vickers da Costa, a subsidiary of Citicorp, and Jardine Fleming, have strong British connections.

Sir Geoffrey, who has been in Tokyo for the fifth round of semi-annual bilateral talks with the Japanese on issues related to financial markets, said he recognised that the TSE had serious physical limitations on the number of members it could accommodate, and that there was a long queue of Japanese applicants. However, the Isro decision would increase the pressure for parallel treatment of British houses in Tokyo.

Sir Geoffrey said his talks with Japanese finance ministry officials on Monday had taken place in a much improved atmosphere since the talks began two years ago. The simultaneous granting last month of a British banking licence to Nomura Securities and a Japanese securities licence to an affiliate of National Westminster Bank had removed a longstanding dispute between the two.

He said all the signs were that the Japanese were dealing fairly with applications from British houses. There were no longer any inexplicable delays.

The British delegation's main concern entering the talks this time was the new Japanese legislation to regulate investment advisory companies. British investment management companies have done well in the Japanese market and have feared that the new rules might discriminate against them.

Sir Geoffrey said he had received only sketches of the new law, which looked satisfactory, and indications of how Japan's Ministry of Finance was going to administer it. His impression was that the Japanese were aware of the concerns of foreign advisory companies, and intended to avoid any discrimination.

Record escudo loan for utility in Portugal

By Diana Smith in Lisbon

THE LARGEST medium-term escudo loan yet raised on the Portuguese market, a Esc 15bn ($100m) seven-year syndicated credit for Electricidade de Portugal (EDP), the nationalised electricity corporation has been signed in Lisbon. The borrower has often taken successful loans on the international market.

Its latest deal has brought together Portuguese and foreign commercial banks and a group of Portuguese institutions.

Carrying a four-year grace period, the new loan bears interest at a rate based on Portuguese Government loans. The deal has been organised by Banco Totta Acores, the fourth largest nationalised commercial bank, that recently reinforced its capital and corrected several years of weak results.

Members of the loan syndicate will not have their participations, computed in the restrictive monthly credit ceilings imposed by the central bank. The foreign institutions taking part see the deal as a reassuring sign that Portugal's market is strengthening and diversifying.

Two or three years ago, an operation of this size would have been impossible, even *for a borrower as solid as* EDP.

The advent of investment companies in the early 1980s followed by full branches of foreign banks from late 1984 on and of new privately-owned Portuguese banks from the middle of last year, brought solid new funds into the Portuguese system. Since last year this has permitted two sizeable syndicated loans —a $30m operation, also for EDP, organised by Manufacturers Hanover Trust, and a small operation to CTT/TLP, the Post Office telephone corporation, run by Citibank.

Both these banks have entered the Portuguese markets aggressively.

Manufacturers Hanover Trust has also taken a share in this month's Esc 15bn loan, along with Barclays, MDM, the investment company jointly owned by Morgan Guaranty, Deutschebank, the Mello family and two new strong privately-owned commercial banks, BCP (Banco Comercial Portuges) and BCI (Banco Comercio e Industria).

●CTP-EP has been authorised by the Portuguese Government to reschedule part of a 10-year, $100m loan signed in 1979, Reuter reports from Lisbon.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on October 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	8.21
Amoco Co. 9⅞ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	9.34
Australia Com. 11 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.45
Australia Com. 11¼ 00	100	[illegible]	[illegible]	[illegible]	[illegible]	9.38
BP Capital 9¾ 94	100	104	[illegible]	[illegible]	[illegible]	8.52
British Telecom 7⅝ 96	250	[illegible]	96	[illegible]	[illegible]	8.27
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	+1	8.57
Canada 9 96	1000	105	[illegible]	[illegible]	[illegible]	8.16
Canadian Pac. 10¼ 95	100	[illegible]	[illegible]	[illegible]	+1	8.78
CEPME 10¼ 91	100	[illegible]	[illegible]	0	[illegible]	7.99
Citicorp 8¼ 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.67
Credit Lyonnais 9 91	200	[illegible]	105	[illegible]	[illegible]	7.65
Credit National 9¼ 95	150	[illegible]	106	0	[illegible]	7.94
Daiwa Securities 2⅝ 91	120	[illegible]	79	[illegible]	[illegible]	11.90
Denmark Kingdom 7¾ 95	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8¼ 92	300	102	[illegible]	[illegible]	[illegible]	7.65
Deutsche Bank Fin. 8 96	[illegible]	[illegible]	[illegible]	[illegible]	+1	8.35
EDC 8½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	7.47
EEC 8¼ 96	200	101	[illegible]	[illegible]	+1	[illegible]
EEC 8⅝ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	7.32
EEC 9⅝ 90	150	[illegible]	[illegible]	0	0	7.74
EIB 10¼ 94	200	[illegible]	111	[illegible]	[illegible]	8.36
EIB 12 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.14
Eurofima 7¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	7.48
Export Dev. Cpn. 10 90	100	[illegible]	[illegible]	[illegible]	[illegible]	7.13
Finland 7½ 93	200	[illegible]	98	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10½ 91	250	[illegible]	110	[illegible]	[illegible]	8.09
Ford Motor Cred. 11⅝ 90	100	[illegible]	110	0	[illegible]	7.87
Gen. Elec. Cred. 10¼ 00	200	[illegible]	[illegible]	[illegible]	[illegible]	9.29
GMAC 10¼ 89	200	107	[illegible]	[illegible]	[illegible]	7.67
GMAC 8¼ 93	200	101	[illegible]	[illegible]	[illegible]	8.23
IADB 9¾ 95	200	[illegible]	110	[illegible]	+1½	8.30
Liberty Mutual 8½ 96	250	100	[illegible]	[illegible]	[illegible]	8.47
LTCB of Japan 8 91	300	[illegible]	[illegible]	[illegible]	[illegible]	7.51
Merrill Lynch 8¾ 91	100	[illegible]	104	[illegible]	[illegible]	7.82
Mercds.-Benz Cred. 7½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	7.52
Nth. Amer. Philips 8 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.66
Norway Kingdom 7¼ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	7.37
Pepsico Inc. 7⅝ 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.04
Proct. & Gamb. 'A' 9⅝ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	8.44
Qantas Airways 10⅛ 95	140	110	[illegible]	0	[illegible]	8.66
Queensland Govt. 10¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.67
Ralston Purina 11⅛ 95	150	[illegible]	114	[illegible]	[illegible]	9.38
Saab Scania 9⅝ 91	125	[illegible]	[illegible]	[illegible]	[illegible]	7.92
Saskatchewan 10¼ 92	100	[illegible]	112	[illegible]	[illegible]	7.94
Shikoku Elec. Pwr. 8¼ 93	100	[illegible]	[illegible]	—	—	[illegible]
State Bk. S. Aust. 9¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.41
Statoil 10 90	170	[illegible]	[illegible]	[illegible]	[illegible]	7.33
S. Wales Trsy. 11¼ 90	150	[illegible]	[illegible]	[illegible]	[illegible]	7.88
Swed. Exp. Cred. 10 92	100	[illegible]	110	0	[illegible]	7.79
Sweden 8¾ 96	200	[illegible]	[illegible]	0	[illegible]	8.13
Sweden 10¼ 92	250	[illegible]	[illegible]	[illegible]	[illegible]	7.74
Swedish Kingdom 10⅝ 90	200	[illegible]	[illegible]	[illegible]	[illegible]	7.22
Swedish Kingdom 7 91	250	[illegible]	[illegible]	[illegible]	[illegible]	7.48
Toyota Motor Cred. 8 89	100	[illegible]	[illegible]	0	[illegible]	6.82
Victorian Rep. 11⅝ 92	250	[illegible]	[illegible]	[illegible]	[illegible]	8.35
World Bank 8½ 16	150	[illegible]	[illegible]	[illegible]	+1¼	9.25
World Bank 9¼ 16	300	[illegible]	101	0	0	9.17
World Bank 9¼ 16	300	[illegible]	[illegible]	0	0	9.39
World Bank 10⅛ 95	300	[illegible]	[illegible]	[illegible]	[illegible]	7.99
Yasuda Trust Fin. 8½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.10

Average price changes... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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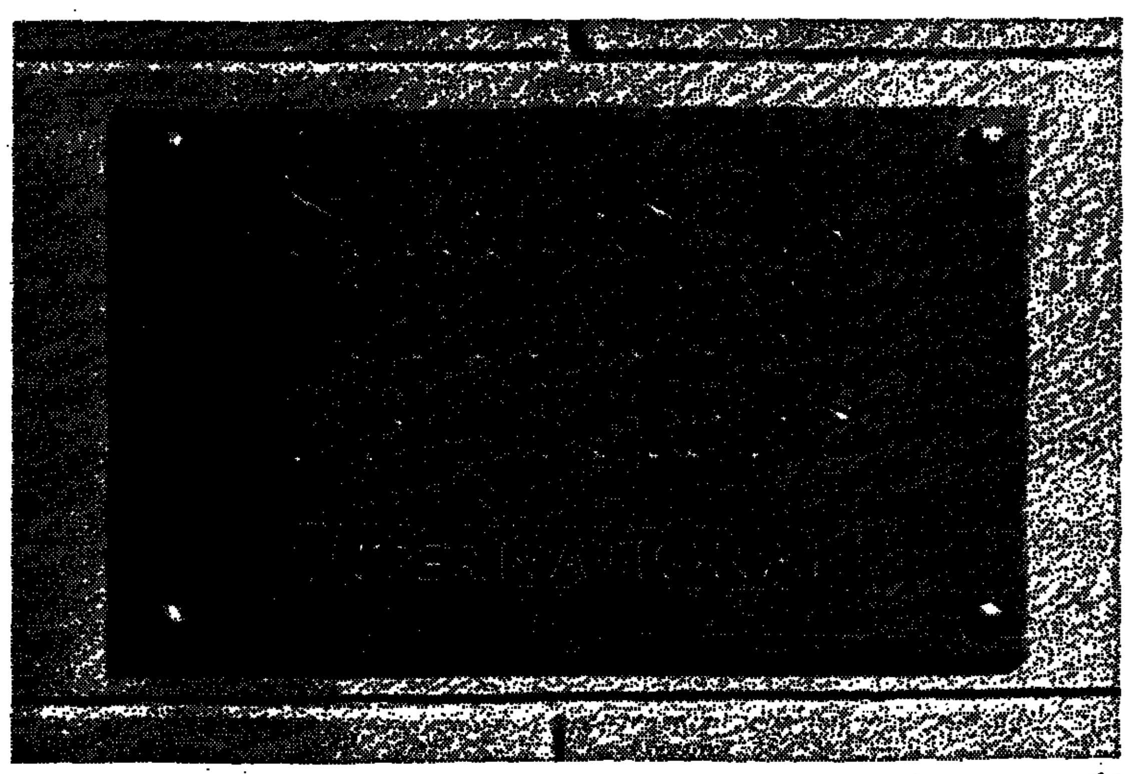

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UK COMPANY NEWS

M and S interim profits up 13%

BY PHILIP COGGAN

Marks and Spencer, Britain's biggest retailer, reported interim pre-tax profits of £155.5m, up 13 per cent from £137.6m, based upon good performances from the homeware and clothing divisions. Thanks to a fall in the tax rate, earnings per share were 21.8 per cent higher at 3.9p.

This is the first year of the company's £1.5bn expansion programme and UK sales floor has increased by 4 per cent (150,000 square feet) so far this year. Forty per cent of UK footage is now in the new modernised format.

In the UK stores, the fastest sales growth was shown by the homeware division up 20.2 per cent at £175.4m (£145.9m). Clothing recorded a 13.9 per cent increase to £846.4m (£743.3m) despite the effect of the poor summer weather on sales of seasonal lines. Food sales were 10.8 per cent higher at £704.1m (£635.4m). No Easter trading is included.

Sales in Europe, after restating the figures using average exchange rates, were 27.3 per cent higher at £51.7m (£40.6m). The main problem area was Canada, where despite an increase in turnover (in local currency terms) of 11 per cent, there was a pre-tax loss of C$3.5m (£1.7m) compared with a profit of C$1.4m (£0.7m) in the same period last year. During the first half, Marks and Spencer bought out the minority interests in Canada, the holding company recouping part of the cost by charging a C$35m loan against Canada, of which C$1.8m interest was paid during the half.

Total M and S sales were up 12.3 per cent at £1.88bn (£1.67bn) after adding in direct exports of £22.6m (£22.1m).

Financial activities showed a profit of £700,000 after a loss of £2.2m at last year's interim but that includes profit of £2.6m from the sale of a leasing subsidiary. The charge-card subsidiary, St Michael Financial Service, made a loss of £4m (£4.8m) and is not expected to break even until the second quarter of 1988. There are now over 1.3m cardholders and the card accounts for 11 per cent of UK turnover.

Group trading profits were 13.6 per cent higher at £154.7m (£136.2m) after allowing for a substantially increased depreciation charge (£33.3m a against £26.7m). Net interest receivable was halved at £2.6m (£5.2m), reflecting the expansion programme and the cost of buying out the Canadian minority. A the development programme continues (a further 300,000 square feet is due to be opened this half), Marks and Spencer i likely to become a net interest payer but a triple AA-rated company, it borrowing power is considerable.

The reduction in UK corporation tax from 40 per cent to 35 per cent left the tax charge little changed at £53.2m (£53m) and employees profit sharing was up to £4m from £3.8m. After tax earnings were 21 per cent higher at £102.3m (£84.6m) and the interim dividend is being increased by 12 per cent to 1.4p (1.25p).

The shares closed down 5p at 195p.

See Lex

Rothschild denies allegation

By Clay Harris

N. M. Rothschild, the merchant bank, denied yesterday that it had initially advised Mr Robert Maxwell's BPCC not to disclose a share purchase in Norton Opax, which is bidding for fellow printing group McCorquodale.

BPCC disclosed on Monday that it had bought 50,000 Norton Opax shares, less than 0.2 per cent of the total, last Wednesday.

McCorquodale and its financial advisers, Kleinwort Benson, said on Monday: "Mr Maxwell was presumably advised by N. M. Rothschild that there was no need to disclose this purchase."

Rothschild said last night that the claim was "without any foundation whatsoever." It had raised the issue with the Takeover Panel before the approach by Kleinwort and the share purchase had been notified "at the earliest opportune moment following the Panel's conclusion that disclosure was appropriate."

Mr Maxwell also holds a 10.8 per cent stake in McCorquodale, with which he has backed Norton Opax's £150m bid.

McCorquodale said that the BPCC purchase was disclosed after Kleinwort requested an inquiry by the Takeover Panel.

Coincidentally, Rothschild, as financial adviser to Turner & Newall, initiated the complaint that led to the Takeover Panel censure of AE's advisers for failing to disclose details of certain share purchases.

With the McCorquodale-Kleinwort statement coming on the same day as the Panel report, "the inferential connection is doubly displeasing," Rothschild said.

PHIT repels Apex tender

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE INITIAL attempt by Apex Group of New Zealand to gain control of Property Holdings and Investment Trust (PHIT) through a tender offer for 29.9 per cent of the equity has failed.

This gives the first round in a £150m takeover battle between New Zealand interests for PHIT to Wingate Property Investments, in which Chase Corporation of Auckland has a majority holding.

The market yesterday doubted whether Apex, controlled by Mr Grahame Hamilton, would come back with a full-scale bid in competition with the merger terms agreed last week between Wingate and PHIT. The PHIT share price fell 8p to 170p as bid fever quietened.

Apex received tenders for less than half the 23.4m shares in PHIT it was seeking to buy, so the tender offer became void. The company had offered 160p for each PHIT share.

Wingate, however, has agreed merger terms with PHIT on the basis of one of its own shares for every two of PHIT's, an offer that was worth 200p for every PHIT share at the time it was made, or 165p cash.

No Apex bid is likely before Wingate publishes its offer document. If it does come, it would be made in cash. Apex has access to funds but knows that its paper would be unacceptable to the UK institutions.

PHIT, on the basis of Wingate's cash offer, has a total market value of £153m. Its property assets are valued at £161m. In the summer it fought off a bid from Greycoat Property.

Hillsdown not bidding for Northern Foods

Hillsdown Holdings, the fast-growing food processor and furniture group, yesterday took the rare step of formally denying that it made any bid approach to Northern Foods—the Hull-based company whose interests span dairy, bakery and meat products.

"We are not in any discussions which might lead us to making a bid for that company," said Mr Harry Solomon, joint chairman of Hillsdown yesterday. Market rumours pushed Northern Foods' shares 13p higher at 285p on Monday but yesterday they fell back to close at 273p.

Earlier this month Hillsdown raised £154m via a share placing, clearing the company's debts. Speculation that it is now poised to make a large acquisition has been linked its name with Dalgety, Unigate and Fitch Lovell.

T. Cowie acquires 8.7% holding in Appleyard

A CONCERT party headed by T. Cowie has bought an 8.69 per cent stake in Appleyard Group. Both companies are motor dealers based in the north of England.

Appleyard said on Monday that it had received an approach about a possible bid. It urged shareholders not to sell their shares in the market.

Cowie, based in Sunderland, reported interim pre-tax profits of £2.85m on turnover of £104.4m. It said in August that it was reviewing a number of potential acquisitions which were intended to improve growth prospects.

Yorkshire-based Appleyard improved pre-tax profits to £1.15m on turnover of £91m in the first six months.

Yesterday's share price of 186p, down 2p, values Appleyard at £19.8m. Cowie shares gained 1p to 190p, valuing the company at £31.8m.

Majedie assets improve

Majedie Investments, which obtained investment trust status in October 1985, improved its net asset value per share by 44p to 262p in the 12 months ended September 1986. By October 27 the figure had risen to 274p.

Net revenue for the year worked through little changed at £2.83m (£2.92m) after tax of £988,000 (£1.08m) and the inclusion of prior year tax credits of £346,000 (£408,000).

Earnings amounted to 8.33p (8.54p) including the tax credits and at 7.02p (6.88p) excluding such items. A final dividend of 4.25p, as forecast, makes a net total of 6.25p (5.2p). A special dividend of 4.2p is to be paid following the liquidation of certain dormant subsidiaries during the year.

National Home Loans profits hit forecast

By Richard Tomkins

National Home Loans Corporation, the mortgage investment company which was floated on the stock market in September 1985, ended its first year with pre-tax profits of £2.8m and announced plans to raise its borrowing powers to permit further growth.

The figures were at the upper end of the recent range of forecasts and the shares closed unchanged at 82p—still well below the fully-paid flotation price of 100p.

National Home Loans began its year with a strategy of buying portfolios of existing mortgages from local authorities, but these tended to be of low average value and led it into difficulties in meeting its targeted mortgage asset value. By the end of the first half its mortgage book totalled only £21m and the shares fell sharply.

Yesterday's figures showed that in the second half there was a strong upsurge in business as National Home Loans switched its attention to the endowment mortgage business being written by life assurance companies, and it increased its mortgage book by some £306m.

The total value of mortgages acquired from local authorities was £33m while business acquired from life assurance companies totalled £286m. Mortgages to individuals accounted for less than 2.5 per cent of the portfolio in keeping with the company's policy of keeping them within a ceiling of 10 per cent.

Interest receivable came to £11.66m, with £8.15m of it coming from mortgages, and interest payable came to £6.84m. There was other operating income of £362,000 and operating expenses came to £2.38m.

Earnings were 3.5p and the final dividend a proposed 1.15p, making a total of 1.83p.

Mr John Darby, the chairman, said the results were achieved against a background of tight operating margins. Mortgage rates in the market dropped from 12.75 per cent to 11 per cent during the year while the cost of wholesale funds averaged more than 11 per cent.

"The company's ability to operate profitably in such circumstances promises well for the future," he said.

National Home Loans is now making its mortgage appraisal and administration system available to other investors on a fee-paying basis.

With borrowings now bringing the debt-to-equity ratio close to the 10:1 level laid down in the company's articles of association, National Home Loans is now seeking shareholders' agreement to increasing the ratio to 20:1.

It also wants to increase the coupon on its unsecured loan stock from 3 per cent to 2.25 per cent and allow conversion twice a year instead of just once, as at present, and it is pursuing methods of selling mortgage-backed securities.

See Lex

BCA shakes off weak dollar to make £14m

DESPITE THE weakening of the dollar, the British Car Auction Group achieved "very satisfactory" results in the year ended August 1 1986, according to Mr David Wickins, the chairman.

The group, which operates motor vehicle auctions in the UK and the US, and long-term vehicle leasing in the US, lifted its turnover by 52 per cent, from £59m to £89.6m, and its pre-tax profit by 36.5 per cent, from £10.14m to £13.83m.

The 18 per cent weakening of the dollar reduced the US profits by £1m on conversion into sterling.

Shareholders participate in the growth by having their dividend increased 38 per cent to 4.5p net. The final is 3p.

Mr Wickins said trading so far this year was ahead of 1985. He viewed the future with optimism and anticipated further growth both in the UK and the US during the current year.

He also announced the purchase of Bellevue, Manchester, the former zoo site, for £1.5m and said the group would be spending a similar amount developing it into an auction centre. The present auction site in the city would be sold.

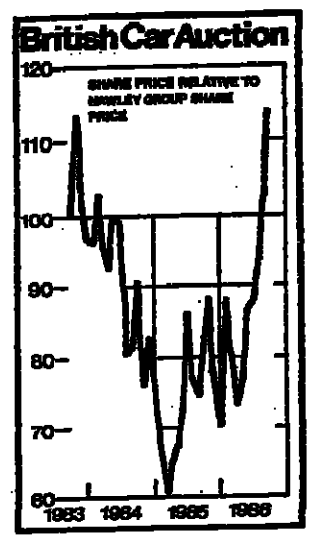
In 1985-86, net profit of the UK auction businesses rose by 28 per cent, from £5.28m to £6.78m, following a rise in gross sale proceeds of 13 per cent to £574.8m and auction income of 10 per cent to £24m.

Construction of the new car auction centre at Blackbushe Airport was completed last March. The level of auction turnover and trading results obtained to date were most encouraging and augured well for the future, Mr Wickins said.

In the US, auctions showed a significant improvement in the second half and the year's pre-tax profit rose from £2.23m to £4.76m.

The number of vehicles sold was up 23 per cent and the auction sale proceeds in dollar terms jumped 25 per cent to $1.6bn, but the weak dollar meant the sterling increase was held back to 6 per cent, from £1.04m to £1.1m.

BCA moved into leasing in the US when its subsidiary Anglo American Auto Auctions merged with Sandgate and BCA now owns in excess of 90 per cent of the latter. In the year leasing produced a turnover of £24.36m and a profit of £1.66m.



Mr Wickins said progress in the US had continued into the current year.

In the year the contribution from related companies was down from £2.7m to £701,000, reflecting the sale of the investments in Attwoods, Group Lotus and Henlys. Share of profits up to the date of sales was £2.42m, against which was charged finance costs of £1.72m in respect of borrowings for those investments.

Sales of the investments in Attwoods and Lotus produced net proceeds of £25.6m and net profit, after CGT provision, of £5.3m was treated as an extraordinary credit.

Net proceeds from those sales were used in the repayment of UK bank loans and borrowings. Group balance sheet at August 1 1986 will include Sandgate's borrowings in respect of its vehicle leasing of £58.1m. Since then, the group borrowed $24m from US bankers to purchase the minority.

After tax £4.65m (£3.32m), minority £1.13m (nil), and extraordinary credits £5.08m (£4.32m), the attributable profit came to £13.14m (£11.13m). Earnings were shown at 10.32p (8.82p).

The minority charge was in respect of Sandgate which was considered to be only 73 per cent-owned at August 1.

• comment

Anything involving David Wickins has to be considered perpetually "in play"—and that includes his stake in BCA itself and not just its investments in First Security and motor dealer Glanfield Lawrence. Consolidated the 47 per cent stake in First Security should produce at least £700,000 a year. After pulling out of the £50m Sandgate sale and buying out the minority, BCA has been obliged to pay off the former chief executive at the rate of $200,000 for 1985-86 and this year, and will now have to take on board the US company's balance sheet. For any fast talking auctioneer, leasing debt ratios look extraordinarily high and the sale of this part of Sandgate's operations has to be a distinct possibility. However, the US auction side will be retained as an integral part of BCA and should grow rapidly with key new venues likely soon in Boston and Los Angeles. *Yesterday's 4p fall to 153½p was* due to profit taking, inevitable given the long upward run over the last year. With £16½m forecast for 1986-87, the shares are trading on a prospective p/e of 10½, which allows little for a 40 per cent rise in earnings per share or takeover possibilities.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Car	3	Jan30	2	4.5	3.25
Chesterfield Props int	5	Dec 30	4.5	—	12
William Cook ......int	2.25	—	1.75	—	4.5
Frogmore Estates	5.67	Dec 8	5.15	7.61	6.92
Majedie Invsts	‖4.25	—	4.25	6.25	5.2
Marks and Spencer int	1.4	Jan 16	1.25	—	3.9
National Home Loan	1.15	Jan 1	—	1.83§	—
Smallbone ......int	‡1.42	Dec12	—	—	—
Wolseley	†8	Jan 31	6.4*	11.5	8.8*

Dividends shown in pence per share net except where otherwise stated. ** Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.* ‡ USM stock. § Unquoted stock. ¶ For 16 months. ‖ Special dividend of 4.2p to be paid.

Chesterfield Properties improvement

Chesterfield Properties lifted its pre-tax profit from £3.66m to £3.87m in the first half of 1986. This gave earnings of 12.65p, compared with 11.19p, and the interim dividend is being stepped up from 4.5p to 5p net.

Turnover in the period advanced from £5.77m to £6.43m. Rental income contributed £5m (£4.5m).

BLMC stock redemptions

Rover Group subsidiary, BLMC, intends to submit proposals for the early redemption at par plus accrued interest of the 6 per cent unsecured loan stock, 1998-2003, 8 per cent unsecured loan stock 1998-2003, 7½ per cent unsecured loan stock 1987-1992 and the 7½ per cent convertible unsecured loan stock 1982-1987. Aggregate nominal value of the stocks is £59.9m.

The directors believe that early redemption of the stocks will aid BLMC by removing restrictions contained in the trust deeds constituting the stocks, and will give it and the Rover Group greater flexibility in meeting long term financing requirements.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims of finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Channel Tunnel Investments, A. Cohen, Epicure, Feedex Agricultural Industries, Globe Investment Trust, Henderson Group, House Property Co of London, F. J. C. Lilley, Nimslo International, Southend Stadium, Tesco.

Finals:—Amber Day, Framlington Overseas Income and Growth Fund, William Low, Next.

FUTURE DATES

Interims:—	
Associated British Foods	Nov 3
Boots	Nov 20
Cambium Venture Capital	Oct 31
Gee (Cecil)	Nov 14
Hill Samuel	Nov 6
Infrared Associates	Nov 17
New England Properties	Oct 31
Tyson (Contractors)	Nov 3
Walker and Staff	Nov 20
Finals:	
Bridport-Gundry	Nov 3
DAKS Simpson	Nov 6

Yearlings down ¼%

The interest rate for this week's issue of local authority bonds is 11 per cent, down ¼ of a percentage point from last week, and compares with 11-7/16 per cent a year ago. The bonds are issued at par and are redeemable on November 4, 1987.

A full list of issues will be published in tomorrow's edition.

GrandMet sells Liggett Group for £97m cash

BY CLAY HARRIS

Grand Metropolitan, the drinks, consumer products and hotels group, said yesterday that it had sold Liggett Group, its US cigarette subsidiary, to a private US company for $137m (£97m) in cash.

Liggett has been bought by L. Holdings, a company controlled by Mr Bennett Le Bow, a US investor and financial consultant.

The sale completes Grand Met's exit from the tobacco business which it entered with the takeover of Liggett in June 1980. Last year it sold the Pinkerton chewing tobacco business for $138m and a Brazilian tobacco operation for $28m.

GrandMet paid $570m for Ligget, $450m (£191m at the time) net of cash and marketable securities. The wine and spirits distribution operations and pet-food businesses also picked up in the takeover continue to form the centrepiece of GrandMet's US activities.

A proposed management buyout of Ligget for $325m collapsed two years ago when a cut-price cigarette war broke out in the US market.

"Liggett, which has Chesterfield and L&M among its brands, continues to suffer from fierce competition in the inexpensive, unbranded cigarette market. Its operating income fell to $6.4m in the year to September 30, 1985 from $66.7m in the previous 12 months.

L. Holdings, as Liggett Group will be renamed, said yesterday that it intended to strengthen and expand the cigarette manufacturing and distribution business of Liggett and Myers, the trading company. It also was investigating *new products.*

Mr Kinsey Dey, who led the aborted buy-out effort in 1984, will continue as chief executive of Liggett and Myers. He yesterday welcomed the sale as a positive development that would put the company's cigarette operations in a much stronger position.

Mr Le Bow, who controls L. Holdings, is chairman of L. S. Le Bow Industries, a private New York-based holding company with interests in data processing, jewellery, equipment leasing, ice-cream and property. It bought Johnson Matthey's US jewellery operations in 1984.

Mr Le Bow is a former computer systems analyst for the *US Defence Department.*

Mr Robert Gillis, a former food executive who joined Le Bow Industries earlier this year, *will become chairman of L.* Holdings.

London-based Quadrex Securities acted as financial adviser to *L. Holdings, and Drexel* Burnham Lambert, the US securities firm, arranged the debt financing. Morgan Stanley advised GrandMet USA.

Mr Lee builds 11% Aitken stake

BY CHARLES BATCHELOR

Lee Ming Tee Group, an investment and financial services company controlled by Mr Lee K. Ming Tee, a Malaysian businessman based in Australia, has acquired a 10.94 per *cent stake in Aitken Hume,* the British financial services group.

Mr Tony Constance, chief executive of Aitken since February, said the company viewed Mr Lee's holding as "friendly."

Mr Lee has said he has no intention of doing anything which would trigger problems with Aitken's US fund management company though he may *buy more shares.*

Aitken fought off a £69m takeover bid from Tranwood, a shell company controlled by Mr Nick Oppenheim, the financier, last August only because the independent directors of the US fund management arm refused to sanction a change in control.

Lee Ming Tee Group has been *active in Australia over the past* 18 months acquiring control of Wormald International, the fire protection and security group, with an A$343m bid and making an unsuccessful offer for Hooker Corporation, a property group.

The Aitken shares have been *acquired* by Sunshine Pacific *of* Hong Kong and an Australian associate, Hastings Derring Finance and Investment Com*pany.*

Mr Lee started buying Aitken shares in June and July and met members of the board in September, *Mr Constance said.* Aitken's shares rose 2p yesterday to 141p.

CAP in £3.2m disposal plan

By Alice Rawsthorn

CAP, the computer software house, yesterday announced the disposal of Control Systems to Almex Systems, part of the *Swedish group, Incentive, for* £3.18m cash.

Control Systems, which manufactures ticketing systems was acquired by CAP in May through its £33m bid for Yarrow, the marine engineering group.

The disposal is subject to the merger between Control Systems and Almex not being referred to the Monopolies and Mergers Commission. Once the merger is completed the combined companies will be renamed Almex Control Systems.

Almex has agreed to pay an immediate cash consideration of *£840,000 for Control Systems* and to repay its outstanding debts to Yarrow of £2.34m. An initial payment of £1.59m has already been made and the balance will be paid on April 30 next year.

Windsor Securities

Mr David Kirch's Jersey-based property group Channel Hotels and Properties, has increased its stake in Windsor Securities, the insurance broker, from 20.26 to 24.63 per cent.

Lonrho deal confirmed

BY LUCY KELLAWAY

Atlantic Richfield, the US oil company, confirmed yesterday that it had agreed to sell a package of oil interests to a joint venture formed between Lonrho, *the multinational trading group,* and Mr Robert Anderson, ex-chairman of Atlantic Richfield.

The vehicle for the venture is the Diamond A Cattle Company, Mr Anderson's private ranching and farming group, in which Lonrho recently bought a 50 per cent stake.

The oil and gas interests, *which are being sold for about* $180m, include stakes in 600 fields in the Mid-Continent and in New Mexico covering 900,000 acres and involving about 8,200 wells. In the first half of this year production from the properties was 10,000 barrels of oil a day and about 40m cubic feet of gas.

The move represents a first step for Lonrho into oil and gas production.

Property Tst. asks for resignation

BY NIKKI TAIT

The Property Trust, a USM-quoted property investment, trading and development company, yesterday announced that it had asked one of its directors —Dr Gerald Smith—to resign.

"He has agreed to do so with *immediate effect,*" the company said. Professional advisers introduced by Dr Smith have also severed connections with the Property Trust.

The company refused to elaborate on the reason for the split and said it would be writing to shareholders shortly. Although legal action is involved, it is not thought to affect The Property Trust itself, shares of which have been suspended at 5½p.

Dr Smith only joined The Property Trust board last June, when Braemar Trust—part of the privately-owned SSS Group property company—acquired a 18.5 per cent holding. Although Dr Smith is a director and *shareholder in Braemar* that stake has not currently been sold. However, plans to inject certain assets controlled by Dr Smith into The Property Trust have been abandoned.

CHEPSTOW RACECOURSE: Turnover £285,690 (£329,288) and pre-tax loss £25,234 (profit £626) for six months to June 30 1986. Nil tax (£189). Loss per share 5.6p (earnings 0.1p).

Halpern and Conran settle wrangle over Debenhams

By Martin Dickson

Sir Ralph Halpern, chairman of Burton Group, and Sir Terence Conran, the head of fellow retailer Storehouse, yesterday settled a long-running dispute over the role Storehouse will play in Debenhams, the department store chain acquired by Burton last year.

The two announced that Conran Design, Storehouse's *design group, is to carry out* the redesign of Havey Nichols, the Knightsbridge store, and a large number of Burton's shops. In due course, Storehouse will also be offered unspecified trading space in Debenhams' stores.

The dispute had its origins in the hotly-contested £560m takeover bid for Debenhams, when *Sir Terence Conran* gave backing to the Burton side.

In return, he was given options over 20 per cent to Debenhams trading space and 20 per cent of its equity, as well as assurances of a design contract. He and Sir Ralph held out the prospect of transforming Debenhams through the creation of stores within-stores.

However, relations soured late last year when Sir Terence's *Habitat-Mothercare* group announced plans to merge with British Home Stores and create Storehouse.

Burton said this nullified the deal, since it turned Sir Terence into a direct com*petitor of Debenhams.* Sir Terence said he did not intend to take up the Debenhams equity anyway, but *insisted that Burton stick by* the other elements of the original plan.

T&N may take legal action over AE bid costs

BY CHARLES BATCHELOR

Turner & Newall, the mining and *automotive group, is* considering taking legal action to recover some of the costs of more than £4m it ran up during *its unsuccessful bid campaign* for AE, the West Midlands engineer.

T & N said it was consulting its financial and legal advisers on the possible recovery of some of the costs incurred and redress for the damage done.

The T & N announcement came a day after the Takeover Panel ruled that AE's financial advisers, Hill Samuel and Cazenove, should have disclosed indemnity agreements with shareholders which tied up a 7.2 per cent stake in AE.

"The purchases by *associates* of AE without disclosure and the secret indemnities given selectively by members of the Hill Samuel Group created a false market in AE shares and beyond any reasonable doubt cost T & N the bid for AE," T T N said.

T & N's directors have not yet decided whether to make a new offer and, if so, when the offer would be made, the company said. Much would depend on market conditions, it added.

The company has, however, called a meeting of shareholders for November 11 to obtain approval for an increase in its authorised capital which would be necessary if a new *offer* were to be made. The increase is the same proposed to permit the original bid and does not imply a *higher bid however.*

The shares of both companies were relisted on the London Stock Exchange yesterday after *an 11-day suspension.* T & N rose 3p to 180p while AE leaped 13p to 232p. That compares with a 240p value of T & N's original cash alternative.

AE just escaped T & N's bid on September 12 when the offer won the backing of the holders of 49 per cent of AE's shares T & N was left with a 29.6 per cent stake in AE.

Wm. Cook to buy Weir foundries

BY MIKE SMITH

William Cook, the fast growing steel foundry group, yesterday agreed to buy one of the largest steel foundry businesses in the UK—that of Weir Group, the Glasgow engineering company—for about £9.3m.

Cook said it would raise £10.25m to fund the deal by a *six-for-five rights issue* at 180p per share underwritten by County Limited, part of the NatWest Investment Bank. Yesterday Cook's shares fell 5p to 210p while those of Weir were steady at 104½p.

The agreed deal will quadruple Cook's annual turnover of about £12m, putting it ahead of any of its rivals. Mr Andrew Cook, chairman and managing director is, however, confident of avoiding a reference to the Monopolies and Mergers Commission.

The expanded group will account for less than 20 per cent of UK production, he says, and will *operate just four of the* 61 steel foundries in the UK.

The company also announced pre-tax profits of £803,000 for the half-year to the end of September, against £497,000 last time. Earnings per share were up from 5.96p to 10.44p and dividends rose 0.5p to 2.25p.

Under yesterday's deal Cook will acquire four operating subsidiaries of Weir Group which *in the year to last December* made a combined pre-tax profit of £1.5m on a turnover of £33m.

The divisions are: Catton and Company, whose products include castings for military track; E. Jopling and Sons, a producer of heavy castings; OH Hi-Tec, which produces moulds for special castings; and Weir Fabrication, makers of excavator buckets.

Cook also has the option, exercisable over the next two years to buy Horlock Precision Castings from Weir for £3.6m.

Weir had been looking for a buyer for the steel foundry divi*sions for some time so* that it could concentrate on its engineering products and services.

Earlier this year Suter, the manufacturing and distribution group, had been thought a likely bidder.

Mr Cook said yesterday that the strength of the enlarged Cook group would help the British industry to reverse the trend of rising imports.

Combining the operations would produce considerable opportunities for improving costs and efficiency but no redundancies were planned among the 1,000 workers at Weir and 400 at Cook.

Cook struck its pre-tax figure for the first half on turnover of £5.96m, up from last year's £4.87m. Tax was £281,000 (£199,000).

Mr Cook said the company was on course for £1.5m pre-tax profits, not including the contribution to be made by the Weir divisions.

Weir said yesterday it would use the proceeds of the sale to further strengthen its balance sheet. The company would now be cash positive.

Ecobric moves into coal mining

By Richard Tomkins

ECOBRIC, the USM-quoted demolition and scrap metal group, yesterday heralded a new departure into mining with the appointment of Mr Michael Eaton, once a rising start at British Coal, as chief executive.

The company also announced pre-tax profits of £65,000 for the six months to July compared with losses of £75,000 for the comparable period, and proposed a one-for-one rights issue at 15p to fund the acquisition of a stake in a drift mine in North Staffordshire.

Mr Eaton, 53, is a former director of the Yorkshire area of British Coal (then the National Coal Board) and distinguished himself as a spokesman for the NCB during the year-long coal strike.

Once tipped as a possible successor to the chairmanship, he resigned unexpectedly in September last eyar after a series of disagreements with Mr Ian MacGregor, then NCB chairman. Since then he has been *pursuing his own private* business interests.

Mr Ronald Aitken, Ecobric's chairman, said Mr Eaton would *have special responsibility for* guiding the company into new business areas, particularly mining. "He is a very capable mining engineer and we are delighted to have him with us."

The rights issue will raise £1.5m, of which £260,000 will be used to buy a 60 per cent stake in Above Park, a private company operating a drift mine near Stoke-on-Trent.

Mr Aitken said all divisions were now trading profitably but half-year profits had been affected by contractual and claim settlement delays in the demolition company. He warned that provisions might be required at the year end for two contracts which were the subject of litigation.

Acquisitions lift Wolseley to £50m

BY PHILIP COGGAN

Wolseley, the central heating and plumbing distribution group, followed up a year on the acquisition trail with pre-tax profits 59.6 per cent higher at £50.25m, compared with £31.49m in 1985.

In the last financial year, Wolseley has acquired Marley's Plumb-Centers for £8m, Carolina Builders for £54m and Grovewood Securities, from BAT Industries for £109m.

The three purchases added some £18m at the trading profit level, with Plumb adding £2.4m, Carolina £6.4m in seven months and Grovewood £9.2m in five months.

Much of Wolseley's business consists of the distribution of plumbing, heating and building equipment. Mr Jeremy Lancaster, the chairman reaffirmed the importance to the group of new outlets as a means of increasing market share.

Twenty-nine new branches were opened in the UK last year (in addition to the 39 bought from Marley) and 19 in the US, bringing the totals to 199 and 117 respectively.

In the UK distribution division, trading profits were £23.2m (£15.7m) on turnover of £328.4m (£228.3m) and in the US, distribution profits were £19.7m (£13.4m) on turnover of £302.1m (£258.1m).

Wolseley added two new divisions as a result of the Grovewood acquisition — electrical, which recorded profits of £2.3m on turnover of £12m and technical services which made £2.1m on £25.9m.

In Wolseley's other two divisions, agricultural machinery was hit by a weak market and profits were only increased to £2.5m from £1.6m because of the addition of three companies at Grovewood. Engineering and plastics also benefited from acquisitions, pushing up to £3.96m from £2.75m.

In total, trading profits were £53.6m (£33.4m). Interest charges were higher at £3.37m (£1.92m) but the gearing level was only 19 per cent.

Earnings per share were 29.4 per cent higher at 41.4p (32p adjusted), after tax of £18.65m (£11.83m) and minorities of £335,000 (£24,000).

Because of the better-than-expected profits performance, Wolseley felt able to improve on the forecast it made at the time of the Grovewood acquisition and the final dividend is being set at 8p, making a total of 11.5p (8.8p).

● **comment**

Even though acquisitions contributed much more than organic growth (11 per cent) to these Wolseley figures, the market was impressed and pushed the shares up 12½ to 575p. This year, full contributions from Carolina and Grovewood should add at least another £16m and £72m pre-tax looks possible. Although there are further branch openings planned for the UK, there must come a point when saturation is reached. The US will then become the focus of growth hopes and that will put a lot of emphasis on how the new US tax regime affects the construction industry. At the moment, it is expected to boost the domestic sector and depress the commercial, but Wolseley is sensibly counting on increasing market share rather than on an expanding sector. But the low gearing level indicates that there is still scope to buy growth should the US division falter. The prospective p/e of 12 does not seem overly demanding.

Fobel in the black and forecasts dividend

A strong return to profitability in the six months to June 30, 1986, following two years of losses totalling around £8.5m, triggered a sharp rise in shares of Fobel International, which closed 8p higher at 47p yesterday.

The company, which distributes DIY and electrical goods and also manufactures electronic products in Hong Kong and doors in Canada, via an associate company, earned pre-tax profits of £916,872, compared with a loss of £314,729 in the same period last year.

Mr Alan J. Leboff, chairman, said the outlook for the second half was excellent and a good result was anticipated for the year. A dividend will be proposed when the full-year profits were announced and should reflect the progress achieved, he said.

The results include the profit on the sale of a small part of the group's shareholding in Premdor, the Canadian door-making associate which was floated in Canada in May this year. Premdor shares are listed on both the Montreal and Toronto stock exchanges.

The figures do not include results of Radofin, Fobel's 51 per cent owned electronics manufacturing subsidiary in Hong Kong, which made a mid-term loss of £297,600 against a loss of £979,083 in the same period last year; a provision was made against the group's interest in Radofin in the 1985 accounts.

The tax charge increased to £265,767 (£164,774) and earnings per share of 3.7p compared with a loss of 3.9p for the first six months of last year.

Top Value's acquisition prompts large profits rise

Top Value Industries, the clothing manufacturer, turned in pre-tax profits up more than four times in the 26 weeks to June 27 1986 in figures prepared on a merger accounting basis.

The results included the figures of David Conrad (Sales) and its subsidiaries, which Top Value acquired in July this year, as if they had been owned throughout the period.

Profits therefore rose from £71,000 last time to £290,000 on turnover which moved up from £4.1m to £4.4m.

After tax of £73,000 (£21,000), earnings per share based on the shares in issue following the acquisition of David Conrad worked through at 3.15p, up from an adjusted figure of 0.73p last time.

Ranger Oil

Ranger Oil, the Canadian company making an £11m bid for Berkeley Exploration and Production, has issued its formal offer document. It argues that the current state of the oil market means it will be difficult for Berkeley to develop its interests in the North Sea without further asset sales and consequent dilution of shareholders' interests. It contrasts this with Ranger's expansion of its North Sea interests.

The directors said that the performance of the new acquisitions was in line with their expectations.

They said that the company's new directors were making a significant contribution in helping with problems in the manufacturing division.

BSS purchase via £9m placing

By Nikki Tait

BSS Group, the pipeline equipment distributor, yesterday announced that it was buying Manor Building and Plumbing Supplies—a privately-owned specialist supplier of copper tube and fittings—via a £8.85m vendor placing.

The purchase price is being met by the issue of 3.85m new shares, plus a further 173,505 to cover the costs of the acquisition. Merchant bankers Schroder Wagg have placed these shares conditionally with institutional investors at 230p a share.

Existing BSS shareholders, however, are offered a 100 per cent "clawback"—they can subscribe for the new shares at a similar 230p, on the basis of one new share for every 3,585 currently held.

The new shares will increase BSS's issued paper by 28 per cent.

Manor is based in Chessington, with branches in Reading and Bristol, and sells mainly to heating and ventilation contractors and builders' merchants. Sales have risen from £12.7m in 1983 to £17.9m in 1985, and profits before tax have increased steadily from £1m to £1.5m over the same period.

Manor has not given any future profit guarantees but the first six months of 1986 have shown a further improvement, and net assets are warranted at not less than £5.3m.

BSS, says the acquisition allows it to expand into an "analogous but slightly different" business, and use of its own computer systems should improve Manor's stock and financial controls. Although BSS already has a depot in Bristol, the two businesses will continue to be run separately.

Frogmore rises to £11m: transition nearly complete

BY ALICE RAWSTHORN

Frogmore Estates, the property developer and housebuilder, yesterday reported a 9 per cent increase in pre-tax profits to £11.08m after a year of steady progress in its burgeoning property development and depleted house building divisions.

Early last year Frogmore changed its name from Fairview Estates in order to mark its transition from a house builder to a property development company. The transition is almost completed and the company will sell the remainder of its homes — around 400 units — by the end of the current financial year.

In the year to June 30 Frogmore sold 500 houses, compared with 780 in the previous year. This prompted a fall in turnover to £34.32m (£38.61m).

The average price of the houses sold rose significantly, however, and the profits produced by housebuilding fell by just £1m to around £7m. This helped to buoy overall pre-tax profits which came in ahead of City analysts' expectations.

The company resolved a dispute with the Inland Revenue which produced a favourable £1.25m adjustment in last year's tax charge. Frogmore also began to trade its property by disposing of properties acquired in a portfolio which it did not consider to be suitable for long term investment. This generated £1.65m in extraordinary income.

Frogmore's contracted rent roll has increased in value to £8.25m (£6.83m). The bulk of this increase, £850,000, came from new lettings; £327,000 from investment properties; and £244,000 from rent reviews.

The value of the company's net assets increased to £87m (£78.4m), producing net assets of 249p (226p) a share.

The property revaluation surplus is now set at £8.25m, compared with £12.9m last year which was the first revaluation since 1980.

Earnings per share rose to 23.6p (16p). The board proposes to pay a final dividend of 5.66p (5.15p) producing a dividend for the full year of 7.61p (6.92p).

● **comment**

Frogmore's shares have been buoyed by bid speculation for much of this year. Yesterday's results suggest that the company may now have something rather more substantial with which to support its share price. When Frogmore first mooted the "transition programme," conventional wisdom suggested that by the time house sales ground to a halt property development would not quite be in a position to compensate for lost profits. Thus profits would be static in 1986-87 and would fall in the following financial year. These results suggest a rather more optimistic outlook. Frogmore has swiftly built up its investment portfolio, neatly placed around the fertile M25 belt, and its first foray into property trading—which produced £1.65m last year—should prevent a fall in profits. Thus analysts anticipate profits of £11.5m this year producing a prospective p/e of 10 on yesterday's share price which fell by 4p to 210p.

Smallbone jumps to £0.39m

Smallbone, the fitted kitchen and bedroom supplier which came to the USM in June, yesterday reported a jump in pre-tax profits to £387,000 for the half year ended August 1986, against £127,000 previously.

The directors are paying the promised 1.42p interim dividend. Earnings for the six months improved from 1.99p to 4.9p per 10p share.

Turnover showed a 47 per cent increase to £6.34m (£4.32m), and Mr John Dibben, the chairman, said that as in previous years, the directors expected turnover and profits for the second half to be higher than the first.

Kitchen sales had been strong, the chairman said, with a significant increase in forward orders. Bedroom sales were most encouraging, he added, and were now generating profits.

The turnover and profits of BC Sanitan, the bathroom wholesaling subsidiary, exceeded expectations and that company was expected to make a significant contribution to group profits for the year.

In September, the company obtained a lease on a 3,500 sq ft showroom in Manhattan. The directors hoped to begin trading there in March 1987, Mr Dibben said. They viewed the showroom as a pilot operation, the performance monitored and costs stringently controlled.

In November the company plans to open its first bathroom showroom in Wimpole Street, London.

The company said it would be looking seriously at moving to a full market quote next summer or autumn at the earliest.

APPOINTMENTS

Changes at C S E Aviation

Mr Murray McLean has been appointed chairman and chief executive officer of CSE AVIATION, Oxford. Mr McLean has been a shareholder and non-executive director of the company and was until recently chairman and chief executive officer of Robert Moss. Mr J. A. Leavey, former chairman of Wilson Connolly Holdings, joins the board as non-executive director and deputy chairman. Lord Waterpark continues as director with special responsibility for sales, engineering and product support. Mr R. W. Littledale continues as financial director. Mr Ian Ferris remains as non-executive director representing the majority of shareholders. Mr Colin Beckwith is confirmed as principal of the Oxford Air Training School, which is to be a division of the company. Mr Rex Smith, the former chairman, has agreed to serve as a consultant for at least the next two years. He is retiring from the board, but will continue with his other interests. Mr Rex Pontin, Mr Winstone Williamson and Mr Joe Edwards have resigned.

★

At the SUPERCOOK GROUP Mr Colin Barratt, chairman and managing director, becomes chairman and chief executive; Mr Eddie Tatterton, operations director, becomes managing director; Mr Ian Dickinson, sales and marketing director, joins the board; Mr Les Dixon, operations manager, becomes an executive director as transport and distribution director designate; Mr David Hutchinson, an executive director, continues as field sales director designate.

★

Reorganisation of J. A. DEVENISH, a West Country brewery, has included introduction of additional expertise. Mr Philip Snook becomes trade managing director, a new appointment with responsibility for the control and development of the managed house estate. He was operations director with Imperial Inns. The post of property director goes to Mr Chris Ashcroft, who was estates and property manager at Courage. Mr Philip Cropley becomes special projects director, moving from national machine controller at Whitbread. His prime duties will include the management of in-pub electronic games and entertainment equipment.

★

Provincial Group's new boards

PROVINCIAL GROUP has appointed new boards to companies created as a result of the group's reorganisation. The boards as as follows: of Prolific Financial Management: Mr John H. Maxwell (chairman), Mr Andrew S. Cherniavsky, Mr Hamish T. W. Janson and Mr Don Shore, Mr Andrew J. Watson is company secretary; of Prolific Unit Trust Managers: Mr Janson (chairman), Mr Cherniavsky, Mr Martin E. Harrison, Mr Shore and Mr Watson, who is also company secretary; of Provincial Life Assurance Company and Provincial Pensions: Mr Janson (chairman), Mr C. Stuart Fairclough, Mr A. Peter McLaren (company secretary), Mr Shore and Mr Alan C. Torry; of Prolific Asset Management: Mr Janson (chairman), Mr Richard J. Bruce, Mr Cherniavsky, Mr Nema Kumar, Mr John Plumpton, Mr Torry, Mr Michael A. Vogel and Mr Watson, who is also company secretary.

★

A pensions and insurance group has been set up by the CO-OPERATIVE WHOLESALE SOCIETY and it will be run by general manager Mr Philip Cushworth who has been with the Society since 1969. He will take responsibility for the pensions and insurance departments. The latter operation inculdes newly-formed in-house brokerage company.

★

E. F. HUTTON INTERNATIONAL ASSOCIATES, a partnership based in New York with affiliates in London and other international financial centres, has been launched to provide market and research information and other account services to non-US institutions investing in American equities. Mr Geoffrey Bunting and Mr Richard Spring, who worked as a team for 15 years at Merrill Lynch, will be co-managing directors, based in London. They are joined by Mr John Booth, a sales manager on the same team at Merrill Lynch London, who will lead the partnership's remaining nine account managers, seven of whom come from Merrill Lynch, and two from Kidder Peabody & Co Inc.

★

Mr J. F. M. Mowat has retired as deputy chairman of the BTP GROUP. He continues as a non-executive director. Mr J. H. B. Ketteley has been appointed deputy chairman and Mr B. J. Meddings finance director.

★

Mr Jacques Maisonrouge has been appointed Directeur General de l'Industrie by the French Government. As a result he has had to resign as a non-executive director of N. M. ROTHSCHILD & SONS of which Mr George Wong becomes a non-executive director.

★

WETHEREDS, Marlow brewers, has appointed Mr Ian Collinson as tenanted trade director.

★

DAWSON INTERNATIONAL has made senior management changes from November 1. Mr Brian Faulkner and Mr Philip Kemp join the board. Mr Faulkner who will be responsible for the knitting companies, has been managing director of Pringle of Scotland, a subsidiary, since October 1983. Mr Kemp, who will be responsible for the group's US operations, is president of J. E. Morgan Knitting Mills Inc, a subsidiary acquired in 1984. Mr John Waterton, a director since February, 1978, will assume responsibility for the yarn, weaving and processing companies. Mr Graham Hayward becomes managing director of Pringle of Scotland. He was marketing director. Mr Keith Fox, managing director of Blackwood Brothers, and Mr Terry Sharp, managing director of Dawson Fur Fabrics, join the group executive committee.

★

Appointed to the board of BARRATT SOUTHAMPTON as technical director is Mr Peter Jones, who has responsibility for all aspects of land acquisition, surveying and materials-buying.

★

PHOENIX PETROLEUM, Cambridge, has appointed Mr Charles Butler as commercial director and Ms Jean Proudfoot as finance director.

★

Mr Graham Lawrenson and Mr Colin Jackson have joined ROBERT FRASER INSURANCE BROKERS where they will be responsible for the further expansion of the UK division. Mr Lawrenson has been appointed managing director of Robert Fraser Insurance Brokers (UK) and Mr Jackson as a director.

CONTRACTS

Testing Jaguars worldwide

GENRAD, Maidenhead, has an order for the supply of electronic diagnostic test systems, for delivery to Jaguar dealers throughout the world. Valued at £8.8m, the order covers the development, manufacture and supply of some 775 systems. A feature is the software, which has been developed for the application by Cirrus Designs, in Manchester. The diagnostic routines are menu-driven. The vehicle mechanic responds to the system prompts using a 16-key pad. Operator messages are presented in English, French, German, Italian, Spanish and Dutch, according to the location of the authorised dealer. The system includes extensive graphics capabilities. These illustrate the precise location of, say, a connector, and the method by which it can be accessed to allow fault finding. The system also has comprehensive self-diagnosis capabilities. The parent company, GenRad Inc, is based in Phoenix, Arizona.

★

The pump division of SULZER BROS (UK) at Leeds has been awarded contracts valued at over £1.5m for supplying pumps for an extension to the Mongstad refinery in Norway. The *contracts were awarded by Statoil,* the Norwegion state oil company. Detailed engineering was by Foster Wheeler Energy of Reading.

★

IDC, Stratford-upon-Avon, has been awarded £2m design and management contract by Warner Lambert for work to be carried out at the Parke Davis & Co plant at Pontypool, Gwent. The contract calls for an expansion of production facilities in the main manufacturing building without disrupting the production and packaging of pharmaceutical products.

★

WAKEFIELD STORAGE HANDLING has won contracts totalling over £500,000, for its automated movement systems. They include one of the firm's biggest orders for conveyor systems, worth £350,000, being set up at Prism, Manchester-based supermarket *merchandising company.*

★

Barclays Bank has placed an order worth £2m for two image processing and archival systems from OCR SCANDATA, UK subsidiary of the American company BancTec. Barclays will be using *the systems in its Barclaycard* Visa credit card operation, for processing up to 120,000 customer payment transactions per pay. The systems are scheduled for installation during the first quarter of 1987.

★

A £847,000 order from South Wales Electricity Board has been placed for a FERRANTI supervisory control and data acquisition system.

★

HUNTERPRINT GROUP has been awarded £2m contract for printing the weekly colour sections of "News on Sunday." The newspaper, which will be launcheed in the spring of 1987, will be published by News on Sunday Publishing. HunterPrint will be printing the 16-page tabloid format section on its high speed Harris M1000X press at its Peterlee plant.

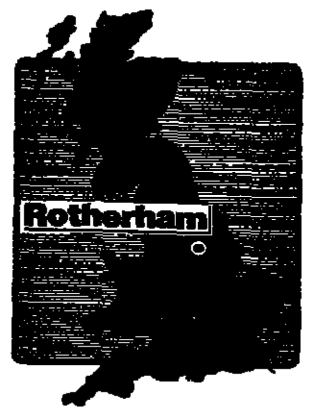
★

STORNO, has won a contract with London Electricity Board worth £950,000 for the supply and installation of a trunked radio network comprising the ARCSWITCH II control system, Stornophone 6000 mobile radios as well as a number of the Stornophone 4,000 direct dialling handportables.

Rotherham

Steel and coal cuts have drained this South Yorkshire town of jobs. But it claims one of the best aid packages to replace them

Awash with aid for jobs



AROUND BRITAIN

ROTHERHAM claims to have the best aid package in England. It has development area status, an enterprise zone and is both a steel and coal closure aid area. This combination entitles it to European Community funding as well as help from Government and the two job-creation funding companies for the closure areas, BSC Industry and British Coal Enterprise.

Businesses can receive regional development grants and regional selective assistance. In the enterprise zone they are also entitled until August 1993 to a rates holiday, 100 per cent capital allowances, exemption from development land tax and industrial training levies, fewer requests from government for statistical information and a relaxed planning regime.

On top of that, European Coal and Steel Community loans are available at reduced rates for projects creating jobs for former miners or steelworkers. Even if they do not, they may still qualify for special rates from the European Investment Bank.

Other financial aid is obtainable via the urban programme. Rotherham Borough Council also operates a wage subsidy scheme for small businesses employing less than 25 people. It is worth £39 a week for six months for every unemployed person taken on, the money coming from the European Social Fund.

Mr John Northcott, of BSC Industry, thinks that Workington may be able to equal Rotherham's package in many respects, but it is relatively remote from the rest of Britain. Rotherham is trisected by motorways, with its town centre nestling in an elbow of the M1 at its junction with the M18.

Ian Hamilton Fazey

The rush of companies into its enterprise zone should therefore surprise no one. Mr Peter Fairholm, Rotherham's assistant director of planning, who heads the borough's industrial development unit, says that 2,000 jobs have been created in the zone by 60 companies since its designation in 1983.

Most companies have come from within 60 miles but the jobs are nevertheless new to Rotherham. Paradoxically, however, the effect on the unemployment rate has still to become obvious. It is stuck at 20-plus per cent, with youth unemployment at 37 per cent and up to 47 per cent in pockets.

There are two reasons: the first goes back nearly 20 years, when Rotherham first discovered the shock of sudden, mass unemployment — long before it became commonplace elsewhere.

In 1968-71, 11,000 jobs were lost in the coal and steel industries. Before this Rotherham and its hinterland was one of the biggest centres of electric arc steelmaking in the world, surrounded by a sea of coal. The National Coal Board and British Steel Corporation were the principal employers.

More than half the workforce of about 100,000 was dependent on the industries. The onset of more capital-intensive techniques, saw the first large-scale shedding of labour in the area.

Today, there would have been an aid package to offset the job losses. Then, the importance of small business was less well recognised—and there was an assumption that people would migrate to work elsewhere.

They did — mainly to the neighbouring towns of Sheffield, Doncaster and Barnsley. But they did not sell their homes. With 250,000 people Rotherham is small enough to stick together well as a community. Indeed, not only has it not suffered depopulation, but it is the fastest-growing metropolitan borough outside London, with a compound rate of 3 per cent a year.

After the wave of structural unemployment ended 15 years ago, Rotherham found itself with 30 per cent of its workforce commuting. Now many new jobs go to people who want to stop commuting. This means that the effect of many new jobs is not to reduce Rotherham's unemployment, but to create vacancies where the returning workers had their old jobs.

The second reason why the creation of new jobs is not bringing down unemployment rates is that more are still being lost in a second big wave of structural unemployment. Throughout 1981-85, 2,381 jobs went in coal and 4,140 in steel.

There was a severe knock-on effect in related industries such as mechanical engineering and metal goods, which led to at least 10,280 job losses. In September 1981 there were 82,400 peopel in work in the town, which means that at least one in eight jobs were lost.

And this does not take account of the collapse of companies employing fewer than ten people. Records are easy to check only where more than 50 redundancies were involved, so the true figure is almost certainly higher.

Collapse of employment in the industries forming the pillars of the local economic structure is, however, the main source of distress for the community. In 1985 more than 1,700 mining jobs were lost following the end of the national pit strike—and British Coal has planned for 2,000 further redundancies in the area during the current financial year. New jobs in the enterprise zone can only begin to reclaim the ground lost to this sort of tide.

"But I hope we have bottomed out," says Mr Fairholm. Signs are good in the steel industry, with the formation of United Engineering Steels out of the special steels divisions of BSC and GKN. This is the high technology end of the steel industry and UES's senior management believes it can take on the world.

High technology is also what modern coalmining is about. Recent closures of three pits have included Cortonwood, the sparking point for the national coal strike of 1984-85, but nearly all the collieries remaining have a good chance of long-term survival.

They include Maltby, where £200m is being sunk into a new shaft. It employs 1,200 and will be taking on another 600 next year for new coal faces. The biggest colliery, Silverwood, employs 1,300 and British Coal says it is very profitable.

Both of the basic industries, then, seem reduced to their barest, but most promising essentials. What this means for Rotherham is that that things may well not get worse from now on. Has it therefore got the resilience of spirit to use its aid package effectively and reclaim the lost ground?

Mr John Bell, the borough's chief executive, says: "We have not lost our pride. We are determined to survive and thrive." He believes that a major plus in job-creation is that most of the workforce is either skilled or semi-skilled. He says that people are loyal, and used to shiftwork, and getting on with the job: molten metal waits for no man.

Communal pride is manifested in small but significant ways. The suburbs are tidy. Front doors look as though they are painted regularly, front gardens are in neat order. The town centre is clean. The borough boasts that it always does well in the annual Britain in Bloom competition.

More important, though is a very evident team spirit. Public and private sectors work together pragmatically and with seemingly genuine wholeheartedness. This has been helped by the remarkable emergence of the chamber of commerce, whose president, Mr Peter Lee, is 35 and the youngest head of a chamber in Britain.

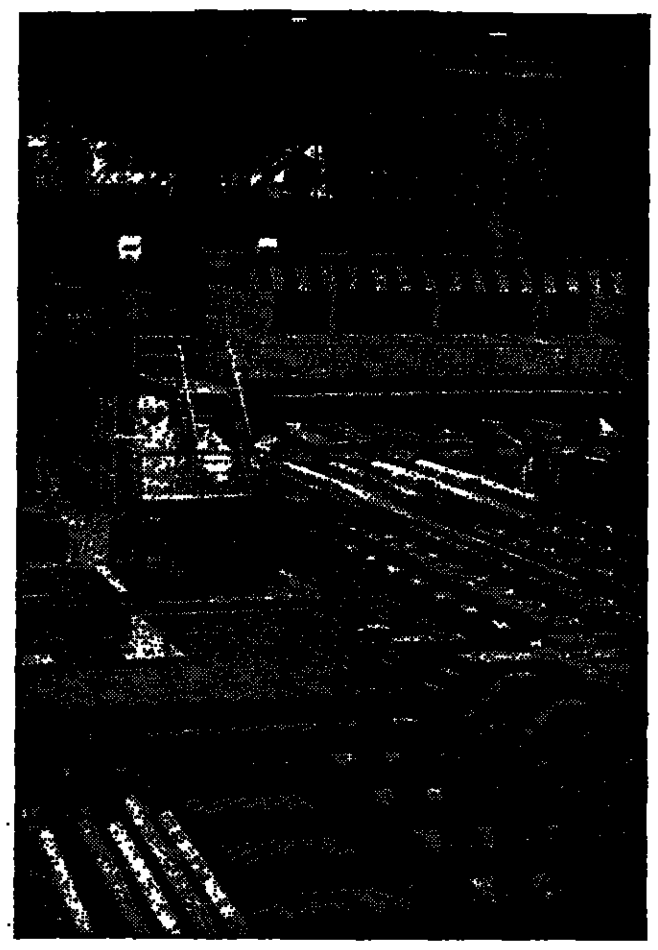
A commerical solicitor specialising in taxation, he had wide contact with the business community and was concerned that the chamber had become a club for big employers. He has pushed to make it relevant to business needs, with the result that membership has risen from 90 businesses to 280 in 30 months.

It was the chamber, that started Rotherham's enterprise agency and still has it under its wing. The chamber also started and runs the town's youth training scheme in the commercial/retail sector. There was even proper consultation with the local authority over this year's rates, with better mechanisms proposed for the next round.

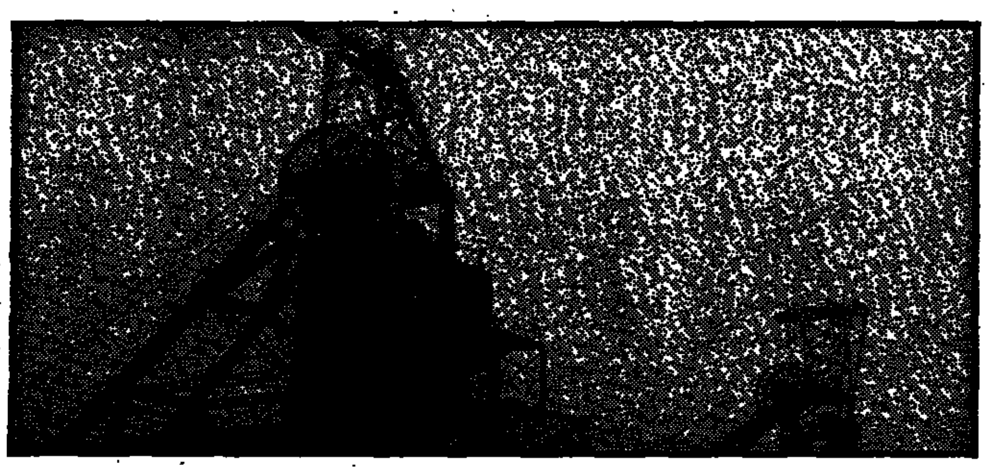
Size has a lot to do with the way things are working. Bigger boroughs, such as the neighbouring City of Sheffield — split more easily into camps, and factions within camps. Bargaining and compromise have to precede every joint initiative, with common ground often confined to very specific or small issues.

In Rotherham there is little room for factionalisation. The common enemy, unemployment, cannot be hidden in an inner city from which everyone flees each evening. The place is not big enough to allow middle-class decision-makers that sort of escape.

The widespread and single-minded attitudes this engenders will probably do Rotherham more good than its vaunted aid package, however much it is needed to spur an initial momentum.



Continuous casting of molten steel into semi-finished billets by United Engineering Steels. A similar bloom-casting plant will raise Rotherham into the world league, according to UES chief executive John Pennington (above).



More than 1,700 mining jobs were lost in the area in 1985 after the national pit strike and British Coal plans for 2,000 more redundancies in this financial year, further eroding the local economic structure. Almost all remaining collieries have a good long-term future. The biggest, Silverwood (right), which employs 1,300 people, is very profitable, while Maltby will take another 600 on to its staff and £200m is being spent on a new shaft.

Enterprise Agency

Front-line troops in battle for jobs

A PICTURE of the Queen dominates the wall behind the chairman's seat in the boardroom of the Rotherham Enterprise Agency. But this is no usual patriotic portrait of the Monarch. It was taken underground at Silverwood Colliery where, clad in overalls and safety helmet, she was chatting to the colliery manager.

The manager, Mr Peter Lawrence, no longer works down the pit. Like 2,381 of his Rotherham colleagues between 1981 and 1985, he has left the industry, in his case volunteering for redundancy. The picture is on the wall because he now runs one of the agency's managed workshops and this is a good way of showing what British Coal used to think of him.

More pictures of royalty are on the opposite wall. This time it is a series of Prince Charles meeting members of the agency's board. This shows what he—as president of Business in the Community, the umbrella body for all enterprise agencies—thinks of Rotherham. It is as though the pictures represent "before" and "after" in Rotherham's local economic turmoil of the 1980s. There is a gap between monarch and heir which is heavily, if unintentionally, symbolic.

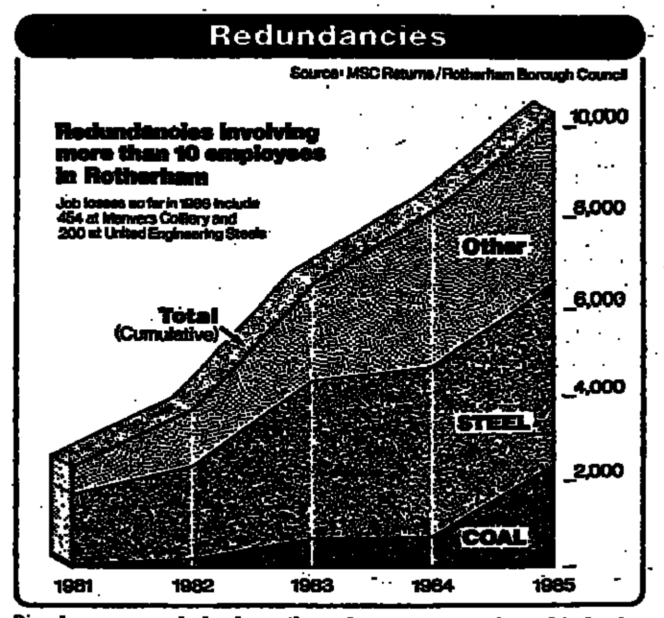
Physically the boardroom is filled with the table and chairs for the agency's directors to sit and discuss job creation policies. The table's existence symbolises Rotherham's struggle to pull itself up by the bootstraps of its own small businesses.

It needs to do so not just because of the scale of job losses in steelmaking and coal mining that have hit Rotherham in the last few years. Two decades ago more than half of Rotherham's working population was in coal or steel. This was the base of the economic structure and it was very vulnerable, as events proved.

The structure was a top-heavy pyramid. A new pyramid is being built now, with hundreds of small businesses at the base. The effects are already apparent: last year Rotherham Borough Council published a catalogue of products and services, grading the businesses named by size. There were 156 businesses employing between one and 25 people: 54 with between 26 and 100 employees; 34 in the 101-500 range; seven in the 501-1,000 bracket and only two in the 1,000-plus category.

The catalogue is not comprehensive. The borough, the health authority and British Coal — all with more than 1,000 employees each—are not included, for example, but it serves to illustrate how things are changing.

The Enterprise Agency was founded by the revived and vigorous chamber of commerce and still remains under its wing. It is chaired by Mr Peter Moran of Beatson Clark and he will be succeeded by the chamber's driving force, Mr Peter Lee, a solicitor who specialises in tax law, when he steps down as the chamber's president.



Mr Ted Lunness, a former colliery manager, is the agency's third director. Two British Steel men preceded him. BSC Industry and British Coal Enterprise, set up by the nationalised industries to help job creation in the areas where they have been the main creators of unemployment, have been big backers financially. Other support has come from the local authority and all of Rotherham's bigger employers.

Mr Lunness says: "I get criticised for being bullish, but this is one of the most rapidly expanding enterprise agencies in the country."

Some of the agency's initiatives have been funded substantially by British Coal, the European Regional Development Fund and the Urban Programme, and have also had private sector support. They include managed workshops and training centres, making use of disused industrial property to full effect.

Mr Lunness, when still with British Coal, could see what might be needed, so he made sure that concrete rafts were left intact when the buildings on them were demolished. The result has been that industrial units for small businesses have been built for only £18 per sq ft instead of £43.

The agency processes regional development grant applications as well as soft loans from British Coal Enterprise and BSC Industry. The latter bodies usually step in where finance may have been difficult to obtain from normal sources.

Mr Lunness points to 320 start-ups in the last two years. Of these 160 were people joining the enterprise allowance scheme, which pays £40 a week for a year while people struggle into self-employment. Only three have failed.

BSC Industries has just appointed Mr Vernon Smith, a senior manager with a lifetime's experience in the industry, as regional manager for Sheffield, Rotherham and South Humberside. He will work closely with enterprise agencies in the region, whose staff he regards as "front-line troops" in the battle to generate jobs.

He thinks that the emphasis is likely to change from start-ups to development of established businesses over the next few years. He will be setting up a network of counsellors from the ranks of people like retired partners from accountancy practices. They would also form a pool from which to draw non-executive directors appointed by a growing business's financial backers.

Mr Smith believes that finance and marketing are likely to prove the two biggest weaknesses in Rotherham's small business sector. Certainly, there is already a good base of skills. The 1981 Census showed that only 3.4 per cent of heads of household were unskilled and 11.7 per cent semi-skilled. The figures were slightly worse nearer the inner area of the borough, but the proportion of people with skills suggests that those who have to set up on their own will have something to build on.

Perhaps that is why Mr John Northcott, business development manager of BSC Industry nationally, says that Rotherham should not be regarded as a steel closure area but an "opportunity zone."

Given the scale of the problem, perhaps this is the sort of optimism which Mr Lunness and Mr Lee have in abundance—that Rotherham needs to have any chance of succeeding.

Ian Hamilton Fazey

Steel

Continuous casting in a world role

ROTHERHAM is where the bulk of Sheffield's steel was always made. The steel industry employed 30,000 people there 20 years ago, 10,000 during the 1970s, but fewer than 5,000 now. But although decline may look inevitable and continuous, the figures hide the truth.

What is left is aggressively confident, with a young workforce. The main employer is no longer the British Steel Corporation (BSC) but a new company, United Engineering Steels (UES), formed this year by the merger of the special steels divisions of BSC and GKN.

The 50-50 company is in the private sector, with no pool of BSC money to dip into if anything goes wrong. Rotherham is one main steelmaking centre, the other is Brymbo in North Wales. Other steels are being made in Sheffield and Wolverhampton, while forging plants are at Lincoln, Sheffield, and in Bromsgrove, Kidderminster and the Black Country.

Rotherham's importance is not that it remains, as it always has been, the centre of electric arc steelmaking in Britain, nor even that it houses the corporate headquarters of the new group, but that it is where UES has decided to sink its most crucial investment.

This is a £60m, technologically advanced plant that UES believes will enable it to compete at the top of the world league.

Most of the money came from the Government via the BSC. The centrepiece is a bloom casting plant—a means by which steel is cast continuously, passing from molten stream into semi-finished bars without having to be cast into ingots first and then rolled into bars of successively smaller cross-section. This cuts out a stage, reduces energy demands and leads to much higher productivity.

Billet casting of other special steels is also a major part of UES business. Modern technology makes this a continuous process, too, rather than a traditional batch one. Billets are large diameter pieces of steel that are machined into engineering parts.

Mr John Pennington, chief executive of UES, is confident the billet casting plant is world class. "The new bloom casting plant will be one of the biggest of its kind, making 1m tonnes a year. Technically it will be the best in the world. Rotherham will be on the international map in the modern era, not just for what it was in the past.

The result, he argues, is a business that can take the Continental Europeans on. "We have also removed a great deal of uncertainty: We all know where we are going to be for the next few years," he says.

UES as a whole is now Europe's biggest producer of engineering steels, employing 11,000 and turning over £650m. In Rotherham there are 3,444, plus 147 headquarters staff.

The confidence is shared by Mr Peter Rafter, director of commercial services. "We make high quality engineering steel, with 60 per cent of our output going to the automotive industry. Our objective it to give the Rotherham plant the best world operating standards so that we can compete with the best in the world."

One aim is to knock out competing imports. Another is to build a track record that will take the company to public flotation within five years.

The Rotherham plants were breaking even at UES's inception and are now in profit. This is particularly important given that for every steelworker's job there are three or four others dependent on it among the suppliers of goods or services which the industry needs.

"The workforce understands the onus this places on them in underpinning the local economic infrastructure. The pride is coming back in performance. People's morale had been knocked about. Now they are determined to show what they can do," Mr Rafter observes.

BSC itself is still in Rotherham, employing nearly 650 at the Brinsworth strip mill. There is also a small staff at Treeton Grange, headquarters of BSC's General Steels Division, while Swindon House, a complex of buildings housing the corporation's extensive laboratories, adds further to its continuing presence in the town.

While UES still has to prove itself by taking bigger shares in the world market place, however, the London and Scandinavian Metallurgical Company (LSM), a supplier to the steel industry, already has.

The Queen's award flag for export achievement was hoisted on the company flagpole this summer but, from the jobs point of view, something more significant has been taking place — LSM has been taking people on, after slimming down drastically during the recession.

Mr John Bradbury, the works director, says: "Ten years ago we employed 550. That dropped to 350. We are now taking people back on because of growth."

The company's core business is in the chemical and metallic products which the iron, steel and aluminium industries need to make modern alloys, as well as these superalloys it also makes welding electrodes, products for the hard facing on tools and bits, pure chromium metal for use in turbine blades, and refractory tiles.

It has also used its expertise to achieve some very successful diversification. Its refractory tiles—used for lining steelmakers' tondishes, for example—are also produced as fireproof ceiling tiles. All types are quality-assured to BS5750, with full accreditation from Lloyd's. It cost LSM £80,000 to get up to scratch but it then passed first time. "It gives us an edge in the world," says Mr Michael Bryant, international market manager.

One rare earth, cerium, was once used more widely than now in the steel industry. The market would probably have become uneconomic and the expertise withered had LSM not developed a range of glass polishes based on cerium oxide, now used worldwide for polishing ophthalmic lenses and precision instruments.

The experience encouraged it to develop alumina-based polishes for plastics and semi-conductors, the growth sector of the polishing industry. Every window in Lufthansa aircraft is polished with an LSM product.

The company, part of the US-owned Metallurg Group, has been in Rotherham for nearly 40 years and turns over £60m of production there, as well as merchanting other Metallurg products. About 70 per cent of its Rotherham output is exported.

LSM is a world leader in the highly specialised, high technology, master alloy industry. It makes the alloys used to refine the grain in aluminium castings—a finer grain means better strength for weight—as well as a range of other master alloys for the aluminium industry, accounting for 45 per cent of output.

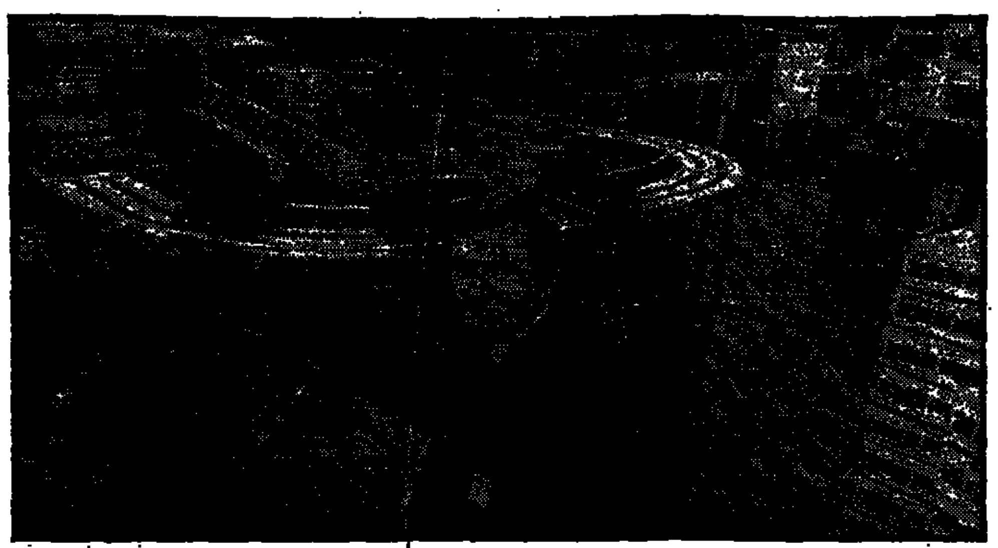
About 30 per cent of output goes to the iron and steel industry. The forms in which the products come have been developed to match new steel-making technology, such as continuous casting.

The problem is how to add the alloying materials in the correct quantities. LSM supplies in powder form, or as cored wire, so that addition can be continuous too, with its main aluminium grain refiner, TiBAL—a mixture of titanium, boron and aluminium—60 per cent of production is in coiled rod form, for easy addition to any melt.

LSM has also got the world's aluminium "taking the tablets." These are large tablets called Altabs, each about 4 ins in diameter and an inch thick and a 75 per cent concentrate of chromium, magnesium or some other alloying metal.

High technology, then, is alive and well and forcing the pace of change in Rotherham. The steel industry may have seen a cataclysmic collapse in numbers employed, but there is now widespread optimism about where it is going from here.

Ian Hamilton Fazey



John Clark in front of the Beatson Clark glass container production line

Business rooted in glass

Profile: Beatson Clark

There is a strong chance that the bottle of medicine in your cupboard can be traced back to Rotherham.

The company of Beatson Clark with its headquarters here produce something over half the bottles used in the pharmaceutical industry in Britain.

The small bottle market is a specialised business and at times a vulnerable one, given the radical changes in the way medicines are packaged. Two company production lines have had to be closed in the face of a falling demand as glass bottles are replaced by strip and "blister pack" plastic containers.

But faith in the glass bottle is as strong as the family link to this mainstay in the town economy. A strong will to carry on the company's 250-year history has doubtless been behind the thinking of management as they worked to turn a £434,000 loss in 1984 to a profit of £1.8m before tax last year.

Mr John Clark, the managing director of Beatson Clark, traces his family link with the company back to 1783. His father, Alec Clark, wrote a book* shortly before his death last year which is both a testament to the company's commitment to this part of South Yorkshire and a remarkable record of the history of glass production.

". . . If one has root implanted so deeply as I have in a town like Rotherham," he wrote, "it is far better to stay there if possible. At least one should retain a foothold in that town, whatever the attraction of travel. One can always return home."

In the face of a declining glass bottle market, the company broadened its base, looking for openings in the food market for its range or smaller glass products, buying a packaging and giftware company in Australia and a packaging company in Holland. The company also set up a plastics division last year which began production this year.

Mr John Clark, who following a managerial reshuffle led the turnaround in the company's fortunes last year, points to the growing role of exports. From nothing in the 1970s, sales abroad now amount to as much as one quarter of the company's £34.4m business. Currency fluctuations have led the small export team to look at the third world market to balance the dependence on the US and Australian markets.

Clark finds the company's position in Rotherham ideal for exports. The network of motorways can handle most of the shipments across the country, but the company would like to make more of the South Yorkshire canal system which links Rotherham to ports in Hull and Immingham. Barges currently bring sand for glassmaking up to Rotherham but Clark would like to see finished glass products heading back towards the ports of continental Europe.

Clark thinks the company's rationalisation has sufficiently tailored output to the market. "My view is that the fall in demand is approaching its bottom. Then there will be opportunities for growth.

The glass bottle market is roughly flat at the moment and valued at about £50m a year. The penetration into the food market is promising and a five per cent hold will mean the company is doing well. But size of Beatson Clark's production will restrict this advance to small categories of glass jars such as for mustard or small jam jars.

"Glass as a packaging material remains unequalled. Its prime weakness is its fragility which is much emphasised in the public eye," Clark concludes.

Beatson Clark is likely to remain in the public eye of the town as one of its main employers. The works account for many of the company's 1,100 jobs (there are further plants at Barnsley, Bradford and Pinkston in Nottinghamshire). In Rotherham the glass industry has outlasted other traditional industries like steel and coal as a source of stable jobs.

Through a Glass Clearly, by Alec W. Clark, Golden Eagle, £5.50.

Mark Meredith

Enterprise Zone

Discreetly tidying industrial past

ROTHERHAM'S Enterprise Zone has provided the opportunity for tidying up more than 260 acres of the town's industrial past. A steel mill, gas works and a coal fired power station have been torn down, the land reclaimed and factories built. Today, three years later, 76 companies function here. They employ 2,000 people in a part of Britain where one in five is jobless. Shortly the zone will have one of the country's largest retail complexes, a vast network of superstores, a shopping mall and acres of parking.

Its location and the package of Development Area financial enticements to new companies setting up here are billed as among the most attractive in the country.

"The Enterprise Zone has had more impact on Rotherham than any other single package of incentives in the past 50 years," says Peter Fairholm, assistant director of planning at Rotherham Metropolitan Borough Council and the main administrative officer for the zone.

Peter Lee of Rotherham Chamber of Commerce sees the Zone as waving a flag—showing the town has pulled through the worst and is now working on a comeback. Accompanying it, he argues, has been a growing resolve for improvement among the industrial community in Rotherham.

Its designation in August 1983 cut through years of limited progress towards environmental improvement. It also signalled the readiness of central government to do something about the downturn in the local economy.

But for all its success, this Enterprise Zone must be among the most discreet in Britain. The zone has largely been allowed to run itself. Inward investment has not been heavily cultivated and there has been no master plan for development of the area. Property developers have largely established the character of the zone, buying up the various tracts of land from the council or from British Steel.

> This enterprise zone must be the most discreet in Britain. It has been allowed largely to run itself.

Very little usable land is now available for purchase in the zone and long time residents like Magnet and Southern's glass processing works or Gloystarne transport have faced problems trying to expand.

The Government's recent proposals for urban development corporations is an indication that it accepts the need for centrally-funded bodies to handle severe cases of industrial decline. Until now in towns like Rotherham, the resources have been lacking to follow through the chiefly environmental impact of creating an enterprise zone in clearing derelict industrial plant.

Magnet and Southern formally opened their glass processing factory in the zone in December 1984. The company with its headquarters in Keighley, West Yorkshire, produces doors, windows, timber, plywood, wallboards and kitchen units. The factory at Rotherham is the kind the planners always wanted as it needed the skills available among the town's pool of redundant steelworkers and coalminers.

About 200 people are now employed in the factory which buys-in glass for toughening and coating. The factory covers over 200,000 sq ft and a unit producing kitchen worktops is planned. Ideally, this would have been placed across the road from the plant, but this land is already taken up by a developer.

Gloystarne nearby found the same problem. This company has grown from a two-vehicle transport company working out of an aeroplane hanger into an unexpected source of employment. Owner-manager Les Wilson has expanded his warehousing operations into a distribution and packaging centre for key clients, like Food Brokers, and employs around 200. It has built a new distribution centre along the South Yorkshire Canal outside the zone.

The importance for Wilson has been a big improvement in his company's image in its growing phases and the relief from a possible annual rates bill of around £60,000. Companies in the zone benefit from a rates holiday until 1993. Today 35 trucks are based here and many of them operate on trans-European runs.

Take the road past Magnet and Southern and Gloystarne and at its northern end construction is already under way on a development that will completely change the face of Rotherham Enterprise Zone.

The Parkgate shopping centre — its first phase opens next year — will occupy nearly half the developable space of the enterprise zone.

Mr Eddie Healey and his Stadium development company bought up 18 different parcels of land to develop the complex of retail warehouses, shopping mall, leisure centre and parking for around 10,000 cars.

The retail warehouse section of the park alone will be the largest in the UK with some 450,000 square feet of space.

This huge development is not without its critics nearby. Bright new retail facilities are about to spring up within a mile of the centre of Rotherham and could well pull much business away from the town shops.

Mr Healey is also criticised for developing a centre for people to spend money rather than generate it. Some members of the business community would have preferred to see more manufacturing to create lasting jobs.

Yet Mr Healey points out he has the blessing of Rotherham Council and predicts that the shopping centre will pull in customers from all over South Yorkshire bringing in spending power to Rotherham.

He says that although Rotherham is Britain's 30th most populous town, it ranks 106 in terms of its shopping facilities.

Mark Meredith

Property

Development stirs up dormant market

THE ESTABLISHMENT of the Rotherham Enterprise Zone in August 1983 stirred up a property market that had lain dormant during years of industrial decline.

Industrial property agents like James Smithies of Simon Houlston report more enquiries over the past 12 months than for the previous three years. Ray Lambe at Eadon Lockwood and Riddle likewise says the market for lettings is excellent.

The zone cleared 260 acres of derelict industrial space. Companies wanting to set up in this area of South Yorkshire were offered a large array of advance factory units built by developers and a tempting package of financial incentives.

Apart from new factory space they were offered rates exemption until 1993, a 100 per cent tax allowance on capital expenditure on buildings, no development land tax and relaxed planning regulations. On top of these benefits the zone is in a Development Area and manufacturing and some service sector companies could qualify for job-related grants, and selective assistance.

About 600,000 sq ft of industrial buildings have been completed by developers inside the zone in units ranging from 1,000 to 20,000 sq ft, with owner occupiers in custom built accommodation the exception.

According to developers roughly half the accommodation in the zone has now been let. The market is strong enough to discourage outright sales and property agents are finding that tenants are not insisting on break clauses in their leases.

Companies looking for very large accommodation — over 20,000 sq ft — may be hard pressed unless they can find adjoining and unoccupied units.

Virtually all the available land inside the zone has been sold off although some areas have yet to be built on.

Mr Eddie Healey, a developer from Hull, has, however, carved out approximately half of the 200 acres in the zone for his proposed retail complex. It took him a year-and-a-half to buy up 18 different parcels of land from 14 different owners.

While developers are fairly bullish today about the outlook for property, the market has taken some time to get going. Rents outside the enterprise zone have been low enough to outweigh the financial incentives of moving in.

Rents inside the zone today are around £2.50 a sq ft for units of around 10,000 sq ft. Units of between 2,500 and 5,000 sq ft can fetch £2.75 to £2.85. Meanwhile, space outside in the Rotherham and Sheffield area can go for £1.50 or even lower for older properties. This cost consideration has kept some companies out of the new developments over the first three years.

Roughly 300,000 sq ft is still available on modern estates in the Rotherham area. So while land for development has been exhausted, factory and warehousing space in several properties is still on the market in areas like Quintec Court and the Summit estate.

Agents have not noticed any appreciable rise in the office property market in Rotherham, but feel this could follow if extensive service sector companies move in and the need for office based back-up facilities rises.

Mark Meredith

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
¶170	F.P.	—	205	186	BakerHarrisSaund's10p	205	......	R4.0	2.7	2.7	19.2
§115	F.P.	—	122	120	♦Berry, Birch 10p	121	−1	R2.5	2.2	4.9	13.0
#95	F.P.	—	145	117	♦Blenheim Exhibits. 5p	125	+8	u2.1	3.2	2.4	17.1
§100	F.P	—	109	101	♦Citygrove 10p	101	−1	R2.5	2.7	3.5	14.7
160	F.P.	24/10	151	123	Euro Home Products 5p	151	+11	R4.25	2.5	4.0	11.6
§105	F.P.	16/10	112	100	♦Eve Construction	105	+5	u4.5	3.2	6.2	7.2
§135	F.P.	24/10	166	145	♦Great Southern 10p	160	......	R5.2	2.2	4.6	13.7
	F.P.	—	28	27	Group Development	28	......	—	—	—	—
185	F.P.	7/11	208	188	♦Interlink Express 5p	206	......	R3.5	3.2	2.4	18.7
§135	F.P.	24/10	245	145	♦Local London Group 5p	210	......	W5.0	1.8	3.4	23.7
110	F.P.	5/11	130	119	Marlbor'gh Tech Man 5p	130	......	R2.70	3.1	2.9	13.1
135	F.P.	—	148	143	Mecca Leisure 10p	146	−2	R4.1	2.2	4.0	16.0
§105	F.P.	24/10	165	133	♦Miller & Santhouse 5p	165	......	u2.25	2.4	1.9	30.8
—	F.P.	—	33	27	New Australia Inv Wrrts	33	+2	—	—	—	—
¶‡75	F.P.	24/10	79	73	♦Newage Trans 5p	75	......	R3.5	2.5	6.6	8.5
#90	F.P.	24/10	90	88	♦Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
#95	F.P.	—	97	89	♦Rotunda 10p	89	−2	R90.3	2.8	4.7	10.7
¶110	F.P.	24/10	108	102	♦Ryman 5p	102	......	L1.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Sandell Perkins 10p	162	......	u3.8	2.9	3.3	14.9
100	50	14/11	102	80	TSB	80½	+¼	W4.26	3.1	4.6	10.0
‖	F.P.	—	385	320	♦Utd. Trust & Credit £1	343	+3	u14.0	2.1	5.8	11.8
§160	F.P.	5/12	179	165	♦Whitney Mackay 10p	165	−1	R4.0	3.0	3.4	13.6
104	F.P.	—	85	80	♦Weltons Bet'ware 10p	85	+5	dR3.7	1.5	6.1	15.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	F.P.	19/11	106	100½	Comtech Finance 11½% Cnv. Uns. Ln. 1996	104	......
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	12¼	......
§100	£10	29/1	10¼	9½	Essex Water 11¼% Red. Deb. 2002-04	10	......
¶101.41	£10	26/2	11¼	11½	do 8¾% Red. Pf 1993	11½	......
‖	F.P.	14/11	109	106	♦Goodhead Print 7% Cnv. Red. Prf	108	......
‖	Nil	—	9pm	7pm	Hartons 7% Cnv. Cum. Red. Prf	9pm	......
§100	£10	15/5	9½	2	Mid-Sussex Water 11% Red Deb2012-16	4	......
—	F.P.	—	100⅛	98⅝	Nationwide 10⅞% 21/9/87	98¾	......
—	F.P.	—	100¼	100	Do 11¼% 26/10/87	100¼	−⅛
¶101.87	£10	22/1	11¼	11½	Portsmouth Wtr. 8¾% Red. Pf 1996	11½	......
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10¾% 1stMort.Deb.2016	19¾	......
—	F.P.	—	116p	104p	Scott. & Newcastle 7% Conv. Pref. £1	112p	......
¶102.25	£10	8/1	11¼	11½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	11½	......
¶¶	F.P.	24/10	122p	115p	WCRS 5⅞% Cnv. Cum. Red. Pref. 1999	115p	......
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	......
¶¶	F.P.	—	104p	97p	Williams Hldgs 5¾% Cum Cnv Pref	97p	......

"RIGHTS" OFFERS

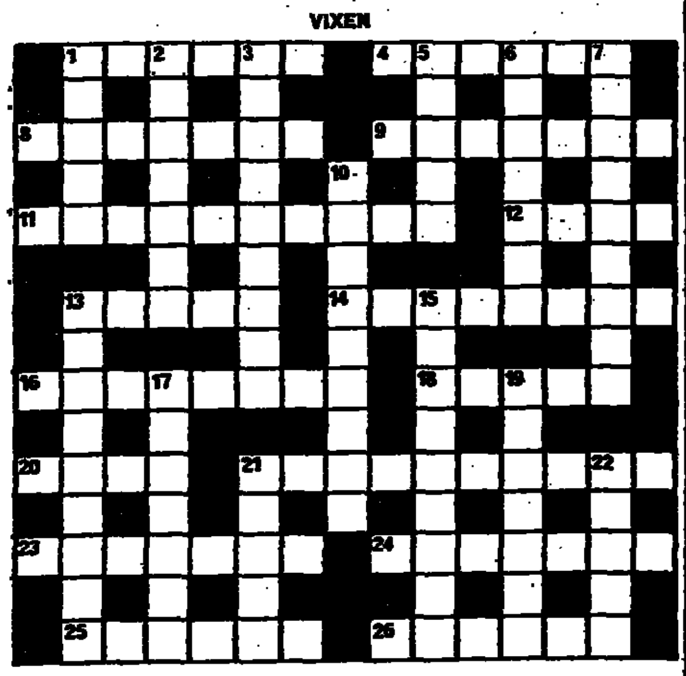
Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
180	Nil	5/12	9pm	1pm	Beazer (C.H.) 10p	1pm	−½
137	Nil	—	18pm	12pm	Bellway	12pm	−3
330	Nil	—	50pm	46pm	Blue Arrow	50pm	......
86	Nil	—	6pm	6pm	Brown Boveri	6pm	......
90	Nil	12/12	14pm	7pm	Bryant Hldgs.	14pm	+6
71	Nil	24/11	7pm	3pm	Burns Anderson 10p	7pm	+3
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
285	Nil	15pm	15pm	3pm	FR Group	3pm	−12
85	Nil	5/12	1½pm	½pm	Lawrence (W)	½pm	−½
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p	1pm	......
160	Nil	10/12	58pm	32pm	Parrish (J.T.) 5p	58pm	......
100	Nil	—	50pm	30pm	Radcliffe (F.S.) Inds.	30pm	−15
720	Nil	—	16pm	10pm	Siebe	11pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▦ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

JOTTER PAD

F.T. CROSSWORD PUZZLE No. 6,163

VIXEN



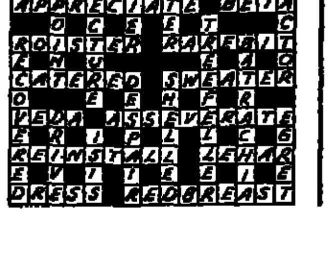
ACROSS

1 Trial resulting from gold transaction (6)
4 Fad for fresh produce (6)
8 Consider image (7)
9 Well-qualified man joining firm, the dog! (7)
11 Her services are offered occasionally for a small charge (4-6)
12 Criticise a swimmer (4)
13 Centre back for example—an irritating creature (5)
14 Questioning the cooking-method (8)
16 Bring the odd light up (8)
18 A Russian material (5)
20 Tree to be seen in a certain royal garden (4)
21 Most can bat anyway, they contend (10)
23 The artist's laying it on thick (7)
24 He won't work but he'll make a hit! (7)
25 Many exercise by the river when free (6)
26 Note the villain's on foot (6)

DOWN

1 Love having money and time for musical entertainment (5)
2 Non-professional going into action late (7)
3 A designing guy from the Arctic (9)
5 Just about 50 show natural aptitude (5)
6 A gemstone displayed without a twitch of an eye (7)
7 Courtesy occasioning hold up in French church (9)
10 The boards' entitlement (5-4)
13 A comedian's resort (9)
15 Battered tins aren't used immediately (9)
17 European and English allied (7)
19 University is of course for studying (7)
21 Distressed copper getting deposit returned (3, 2)
22 The soldiers present (5)

Solution to Puzzle No. 6,162



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dat Gilt Fd	68.2	69.3	+0.1	—
U.S. Govmt Bond Fd	50.516	0.518	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comtbl & Equity Tst	48.4	51.5	—	7.42
Growth Trust	51.9	55.3	—	2.24
Income Trust	53.2	57.0	+0.3	5.08

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.0	73.8	−0.7	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenny Bdge, Huddersfield 0484 602250

Y.G.T.	128.9	137.2	+0.5	3.33

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8	—	102.8	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.7	210.3	+0.3	—
Equity Ser. 1	100.0	105.3	+0.1	—
Prop. Acc. Ser 2	278.8	293.5	+0.3	—
Equity Ser 2	108.7	114.5	+0.1	—
Selective Acc.	233.2	245.5	+0.1	—
Prop. Ser. 4	220.7	232.4	+0.2	—
Equity Ser. 4	111.7	117.6	+0.1	—
Fixed Int. Ser. 4	174.0	183.1	+0.1	—
Indexed Inv. Ser. 4	108.3	114.0	—	—
American Ser. 4	258.4	272.0	+0.2	—
High Inc. Ser. 4	282.1	297.0	−0.3	—
Japan Ser 4	225.0	236.9	+2.3	—
Man. Ser. 4	344.9	363.1	+0.6	—
Money Ser. 4	197.1	207.5	+0.2	—
European Ser 4	122.7	129.2	+0.2	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $18.13 | -0.09 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.32 | +0.09 | —
Inv. Adv.: M. & G. Inv. Mngt. Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $15.68 | +0.02 | —
Dynamic Gwth Fd ... $17.29 | +0.04 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.94 12.65 | ... | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3			01-283 6461	
Call Fund	9.82	7.34	10.74	3-mth
7-day Fund	10.48	7.83	11.50	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	10.30(CAR10.70)		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	10.07	7.53	10.75	6mth
7-day Fnd	9.94	7.43	10.86	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	10.08	7.53	10.80	6-Mth
7-day Fund	10.45	7.81	11.21	6-Mth
Dollar	4.75	3.55	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Chq Acc	10.25	7.50	10.80	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	10.25	7.66	11.10	Qtr
Mth Int Chq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-283 9111	
High Int. Cheque Acc	11.00	8.22	12.03	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	10.50	7.85	11.46	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	10.00	7.50	10.06	Qtr

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brist. Oil & Min	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

US aluminium strikes peter out

BY DAVID OWEN IN NEW YORK

THE US Aluminium sector's troubled season of labour disputes and lost production appears to be over at last.

Workers at two of the three plants until recently still strike-bound have accepted new concessionary agreements. Those at the third yesterday voted on a similar package and the result of the ballot is expected today.

The workforce at Alumax's Eastalco plant began to return late last week following acceptance of a new three-year labour contract. On the face of it the cuts instigated are comparatively slight, amounting to approximately 91 cents an hour in wages and benefits. But the company has also secured major revisions in work rules which should result in further, more substantial, savings.

Production levels at the smelter will change little as a result of the return to work, a company official said. Prior to the dispute, which began on July 31, the plant was operating at some 75 per cent of its 180,000 short tons a year capacity—a level which it has effectively maintained with the aid of salaried personnel since then. The product mix will change, however, in favour of more complex shapes, notably billet. "We didn't make any billet during the strike," the official confirmed.

Meanwhile, workers at Ormet's Hannibal plant are set to start returning on November 3, after voting to accept much more swingeing cuts as part of a new 43-month package.

The agreement calls for wage and benefits cuts totalling $4.60 an hour until the end of June 1989 when a 5 per cent increment will be implemented for the final year of the contract. Some 50 jobs will also be eliminated. In return, workers will be involved in a profit sharing scheme and given preferred stock.

The company expects the plant to be operating near full capacity of 270,000 short tons a year by April 1987. In recent months it has been running at less than half of this.

Finally, workers at Alcan's Sebree facility voted yesterday on another concessionary package, details of which have yet to be made public. The workforce originally took strike action on June 7.

Perhaps surprisingly, in view of the probable upturn in domestic production levels, some analysts are cautiously bullish in their short-term price prognostications. "I'm betting that the sun begins to shine in November," says Mr Peter Marcus, basing his optimism on the assumption that consumers will need to return to the market having exhausted stocks purchased earlier in the year as a strike hedge.

In the longer term, the outlook for primary aluminium production in America remains bleak. This is in spite of the fact that all major US producers have now secured wage concessions since 1985 and have benefited this year from the weak dollar.

Nevertheless, many Western European producers must now be glancing anxiously over their shoulders as their US counterparts, long-regarded as the western world's swing capacity, succeed little by little in becoming less uncompetitive.

LCE 'needs new members'

BY ANDREW GOWERS

THE LONDON Commodity Exchange, the cocoa, coffee and sugar futures market, needs to admit new members and to promote itself more aggressively in order to boost trading liquidity, according to a comprehensive survey of member companies published yesterday.

The poll, conducted for the LCE management by Market and Opinion Research International, shows clearly that insufficient trading volume — rather that excessive costs — is the Exchange's main perceived problem among the members. Over the last 10 years, it has steadily lost world market share to competitors in New York and Paris, and members compared its marketing efforts unfavourably with those of the Chicago Mercantile Exchange, say, or the London International Financial Futures Exchange.

The survey also shows that two thirds of the members believe the introduction of so-called "local" traders — floor traders who deal on their own account — would be "of overall benefit" to the Exchange. It found a majority in favour of moving away from the current separation of individual markets to an open-plan system — but members were split on whether trading should be organised in rings (as in London at present) or pits (as in Chicago or New York).

Mr Saxon Tate, the LCE chairman, has been campaigning for structural reforms on the grounds that they would help the Exchange get new contracts—in particular traded options on its existing futures contracts—off the ground after its move to new premises next Easter.

The Exchange's board has agreed in principle to admit locals, provided that safeguards can be introduced to ensure they do not take business from existing member companies.

Mr Tate said yesterday that there would probably be two new categories of membership: locals, licensed to deal in all LCE contracts; and options members, who will only have access to the futures market to lay off their options risks.

But he also stressed his desire to proceed slowly in order to prepare the ground for the introduction of options, saying: "If we have not got a sufficient number of committed market makers, we will not introduce new contracts."

As to other new contracts, he confirmed that talks were underway between the LCE and New York's Commodity Exchange (Comex) about the possibility that London might join a 24-hour trading link based on Comex's gold futures contract. The two sides had agreed, however, that detailed consideration of the matter would have to wait until after the Sydney Futures Exchange had launched its own gold futures link with Comex later this year.

Ivory Coast breaks cocoa crop record

THE IVORY COAST produced a record 580,000 tonnes of cocoa during the 1985-86 (October-September) season, Mr Denis Bra Kanon, the Agriculture Minister, told a meeting of local buyers and officials yesterday, reports Reuter from Abidjan.

In its latest market report, London trade house Gill and Duffus estimated the 1985-86 Ivorian crop at 570,000 tonnes and the 1986-87 harvest at 515,000 tonnes.

Tin stock action deferred

MEMBERS OF the Association of Tin Producing Countries (ATPC) have deferred for one month any action aimed at ending the current price depression, reports Reuter from Jakarta.

Following a two-day meeting here the seven-nation group said it would try to achieve a predictable and orderly depletion of the surplus stocks which have been overhanging the market since the collapse of the International Tin Agreement's buffer stock operation a year ago. Tin prices are at present about half the level ruling at the time of the collapse.

Dr Subroto, Indonesia's Mines and Energy Minister and the current ATPC chairman, said the group's executive committee had been assigned to study various options and to make recommendations in a month's time.

One option, the Indonesian Minister said, was to freeze members' output so as to speed up the depletion of the 79,000 world stockpile.

Oil hit by discount rumours

BY LUCY KELLAWAY

OIL MARKETS were left somewhat scarred yesterday following rumours — subsequently denied—that Saudi Arabia was offering discounts of up to 50 cents a barrel on sales of crude oil to US customers.

After the stories began circulating on Monday in New York, prices fell, by midday yesterday, by nearly a $1 a barrel with Brent oil for December delivery traded for as little as $13.55 a barrel, and West Texas Intermediate for $14.10.

A statement from Saudi Arabia which said that no discounts would be offered to any customers "under any circumstances," and which underlined the country's commitment to the latest Opec agreement, gave some support to prices which rose by about 20 cents from their low point.

However, the denial failed to squash suspicions about the Saudi Arabian Government, and some traders in London reasoned that Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, may have ordered the statement to pacify Opec partners. Others said it was unlikely that Saudi Arabia would act in such an inflammatory way by cutting prices so soon after having pieced together another two-month production agreement.

Since the Opec agreement was concluded a week ago, prices have fallen by nearly $2, as the market has once again become preoccupied with the large volumes of crude stocks waiting to be sold. However, trading has been fairly active.

Sheikh Yamani, the Saudi Oil Minister

Price slide reduces reserves

BY MAX WILKINSON, RESOURCES EDITOR

A CHILLING preview of the likely effect of the fall in oil prices on the depletion of the world's economically recoverable reserves and oil companies' financial positions is provided in a report by Arthur Andersen, the US-based accountants.

It concludes that the collapse in prices this year is not just part of the ups and downs of a cyclical process, but that the oil industry has been "markedly and permanently altered" as a result.

The report, "Oil and Gas Reserve Disclosures" is based mainly on the results of 375 US oil and gas companies, for 1985, before the steepest plunge in prices.

Nevertheless the report already shows an ominous deterioration in the value of oil assets, a decline in physical reserves, a reduction in the proportion of revenues ploughed back into exploration and development and a deterioration of the profitability of exploration, especially for independent companies.

The authors say: "The poor results of 1985 pale in comparison with the effects of declining prices in 1986. The price drop has led to drastic budget and personnel reductions, an unprecedented fall in physical activities and heightened concern of oil and gas investors and lenders as they grapple with rapidly eroding asset values, which portend a new wave of bankruptcies, mergers and consolidations."

The report argues that there is "no evidence that another boom is likely to occur in the near future, so the industry must prepare for a radically different environment."

Even in 1985, the survey showed that the net present value of the oil discovered and added to reserves by development projects was significantly less than the cost of finding it.

For the major companies, this "loss" on exploration was 62 cents per barrel. For the independent companies the loss was $1.18 per barrel.

The survey showed that even before the major cuts announced this year (ranging from 30 to 50 per cent) capital spending was falling fast. The total of $44.8bn for 1985 was 28 per cent lower than the level in 1984 and little more than half the level at its peak in 1981.

In February this year, before the worst of the fall in oil prices, capital spending budgets for 1986 were 25 per cent below the 1985 level. Since then, major further cuts have been made, particularly in the exploration and production sector.

Partly because oil exploration activity was so depressed, the amount of oil added to reserves was almost 30 per cent below the figure for 1984. The ratio between additions to reserves and production (the replacement ratio) was also down sharply from 84 per cent in 1984 to 59 per cent last year. However, 1984 was an unusually good year and the replacement ratio last year was better than in the first three years of the decade.

The report comments that the sharper cut back in exploration this year "will inevitably lead to serious erosion of domestic productive capacity (in the US) and increased reliance on imported oil."

Globally, it says that oil reserves were little changed in 1985 from the 1984 level of 707bn barrels which was 4 per cent above the figure for 1983. A relatively large drop in reserves in the Communist countries, particularly the USSR offset rises in the reserves in Europe, South America and Africa. In the US, oil and natural gas liquids reserves rose by 3 per cent in 1985, reflecting new finds in the Gulf of Mexico and California.

However, the authors warn: "The price declines registered in 1985 will probably lead to substantial downward revision of reserve estimates as higher cost reserves become uneconomic to develop and produce."

Oil and Gas Reserve Disclosures; Arthur Andersen and Co Oil and Gas Industry Services Program, 711 Louisiana St. Suite 1300, Houston, Texas 77002, US price $100.

More EEC grain heading for Moscow

By Tim Dickson in Brussels

FURTHER evidence emerged yesterday that the Soviet Union has been buying large qautities of EEC grain in recent weeks. Its latest purchases may amount to as much as 1m tonnes on top of the 1m sold under a much-publicised deal late last month.

Traders in Paris revealed that heavy subsidies have been obtained from the EEC for a further 850,000 tonnes of wheat, much of which seems likely to end up with Moscow.

Moscow has been persistently rumoured as a buyer of EEC grain in recent months and it was widely assumed last week that Soviet purchases were behind the successful applications for export refunds of Ecu 132 per tonne on 585,000 tonnes of wheat. and Ecu 130 per tonne on 116,000 tonnes of barley.

The level of subsidy which the EEC is now prepared to pay — it has been creeping up in recent weeks and now represents about three quarters of the average intervention price for wheat — is a clear sign that the officials who manage the markets are keen to take advantage of the currently strong Soviet interest.

The strength of demand was apparent last week from the fact that tender applications for subsidies were made for almost 1.4m tonnes, thus leaving many traders disappointed.

It was in an effort to satisfy these customers that the Commission, immediately conscious of the 16m-17m tonnes of wheat in Community stores, made available so-called "common right" refunds.

Cut in soya sales costs Brazil $900m

By Ivo Dawnay in Rio de Janeiro

A CRASH in soya exports has cost the Brazilian Government about $900m in export earnings, according to a Finance Ministry report. But harvests of Brazil's main grain products are expected to make a major recovery this year.

The disastrous performance of soya in the 1985-86 season is now being seen, with the growth in food imports, as one of the major reasons for the severe setback in the country's balance of trade.

Last month, Brazil reported a trade surplus of just $840m compared with $1.2bn during the same month of 1985. For the soya complex—beans, meal and oil—total 1986 sales are now expected to be only $1.6bn, against $2.5bn last time.

The chief explanation for the fall is the drought that brought output down from 17m tonnes in 1985 to 13m. In addition, increased internal demand, up about 20 per cent, has cut exports from 13m tonnes to an estimated 8.6m. The fall in international market prices has also played a part.

An explanation for the declining trade performance will come at least as some relief to the authorities, who have been alarmed by the downturn. Furthermore, Mr Iris Resende, the Agriculture Minister, has recently reported to President Jose Sarney that a sharp turnabout in farm performance is anticipated next year.

According to his report, harvests in the key central and southern growing regions should enjoy a good recovery if weather conditions remain favourable, rising about 22 per cent. Total tonnages for the five main products—rice, maize, soya, cotton and beans—are expected to rise from just under 40m tonnes to 49m.

Research conducted by the main farm finance agency says that the total area under cultivation have risen by some 900,000 hectares to 26.4m hectares. But soya plantings have actually declined by 6 per cent —a consequence of the fall in world prices.

The largest increase in planting has been for maize, up an average of 12 per cent, with anticipated production set to rise to 22m tonnes— a 27 per cent improvement on last year.

LONDON MARKETS

FEARS THAT peace might break out in two long-running zinc industry labour disputes sent long-holders of the metal scurrying for cover on the London Metal Exchange yesterday. The cash price fell £23 to £600.50 a tonne as the market responded to expectations that fresh proposals might end the 18-week strike at Noranda's Valleyfield smelter and to talk of a possible settlement at the Broken Hill mines in Australia. Dealers said the fall was mainly due to speculative liquidation. The copper market was also weak, in sympathy with New York. Cash Grade A metal closed at £923 a tonne, down £9 on the day. Cocoa values seemed little affected by news of the Ivory Coast's 580,000-tonnes 1985-86 crop—the biggest ever, by any producer. The March position ended £8 down on the day at £1,544 a tonne, but traders attributed the fall to sterling's steadiness against the dollar and talk of fresh producer sales. The coffee futures market continued its recent advance with the January position closing £15 up at £2,387.50 a tonne. The rise was encouraged by news that Brazil had closed registrations for November conilion exports.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	802.5-3	—11.75	805.5/798.5
3 months	818-9	—11.75	824/815

Official closing (am): Cash 799-9.5 (814-4.5), three months 815.5-6 (830-0.5), settlement 799.5 (814.5). Final Kerb close: 819-20. Turnover: 22,125 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	922.5-3.5	—9.0	921.5/921
3 months	946-6.5	—8.5	954/946

Official closing (am): Cash 921-1.5 (933.5-4.5), three months 947-7.5 (958.5-9), settlement 921.5 (934.5). Final Kerb close: 945-6.

Standard			
Cash	901-3	—7.5	—
3 months	927-9	—8.5	—

Official closing (am): Cash 902.5-3 (912-3), three months 927-8 (939-40), settlement 903 (913). US Producer prices: 63.00-68.50 cents per pound. Total turnover: 29,100 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	315-6	—3.0	316.5/315.5
3 months	312-2.5	—3.25	313.5/312

Official closing (am): Cash 315.5-6 (316.5-7), three months 312.5-3 (312-2.5), settlement 316 (317). Final Kerb close: 312.5-3.5. Turnover: 13,175 tonnes. US Spot: 24.00-26.00 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2545-55	—5.0	
3 months	2615-5	—11.5	2600/2591

Official closing (am): Cash 2,630-5 (2,555-60), three months 2,590-1 (2,611-2), settlement 2,535 (2,560). Final Kerb close: 2,600-5. Turnover: 1,080 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: 15.06 (15.01) ringgit per kg. Up 0.05.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	600.1-23.0	—23.0	623/622
3 months	597.5-8.5	—20.25	620/616

Official closing (am): Cash 606-7 (662.5-3.5), three months 603.5-4 (618.5-9), settlement 607 (623.5). Final Kerb close: 596.5-6. Turnover: 18,600 tonnes. US Prime Western: 40.00-50.75 cents per pound.

GOLD

Gold rose $2 an ounce from Monday's close in the London bullion market yesterday to finish at $411½-412. The metal opened at $410¼-410¾ and traded between a high of $413¼-413¾ and a low of $408½-409½. Trading was generally quiet with gold underpinned by a weaker dollar and continuation of a strike at three South African gold mines.

GOLD BULLION (fine ounce)	Oct. 27	
Close	$411½-412	(£291-291½)
Opening	$410¼-410¾	(£290¼-290¾)
M'n'g fix	$409.55	(£289.392)
Aft'n'n fix	$410.70	(£290.206)

GOLD AND PLATINUM COINS		
Am Eagle	$441½-471½	(£302¼-305¼)
Mapleleaf	$423-425	(£298¼-300¼)
Kr'g'r'nd	$408-411	(£288-290¼)
½ Krug	$205-215	(£144¼-151¼)
¼ Krug	$102½-110½	(£72¼-78)
Angel	$420-425	(£296¼-298¾)
1/10 Angel	$43¾-46¼	(£30¼-33)
New Sov	$96-98	(£67¾-69¼)
Old Sov	$97½-99	(£68¼-69¾)
$20 Eagle	$480-530	(£339-374¼)
Noble Plat	$590-600	(£416¼-423¾)

SILVER

Silver was fixed 1.2p an ounce lower for spot delivery in the London bullion market yesterday at 399.15p. US cent equivalents of the fixing levels were: spot 586.8c, up 2.5c; three-month 574.05c, up 2.4c; six-month 582.6c, up 2.4c; and 12-month 598.85c, up 1.5c. The metal opened at 400½-402p (586-588c) and closed at 401-402½p (587-589c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	399.15p	—1.20	399p	—2.5
3 months	409.95p	—1.50	409.5p	—2.5
6 months	421.05p	—1.85	—	
12 months	441.60p	—2.55	—	

LME—Turnover: 56 (6) lots of 10,000 oz.

Three months high/low 410p, final kerb 408-10p.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 91.24p per kg lw (—0.92). GB—Sheep 137.24p per kg est dcw (+8.02). GB—Pigs 77.64p per kg lw (+0.97).

FUTURES — Live cattle: Oct 95.30, sales: 3.

INDICES

REUTERS

Oct. 27	Oct. 24	M'th ago	Year ago
1591.7	1586.5	1546.5	1711.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 27	Oct 24	M'th ago	Year ago
Spot	121.64	121.48	—	116.72
Fut	121.37	120.58	—	119.82

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 27 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1230/250	—25	$1305/325
Copper			
Cash Grade A	£923	—9	£931.5
3 mths	£946.5	—8.5	£955.25
Gold Troy oz	$411.75	+2	$423.625
Lead Cash	£315.5	—3	£277.25
3 mths	£312.25	—3.25	£281.75
Nickel			
Free Mkt	182/192c	—1	189/198c
Palladium oz	$129.50	+1	$134.50
Platinum oz	$575.50		$548.50
Quicksilver†	$160/175	+5	$140/180
Silver troy oz	399.15p	—1.20	380.70p
3 mths	409.5p	—1.50	390.45p
Tin			
free mkt	£4200/250	+35	£3880/20
Tungsten	$51.25		$51.25
Wolfram 22.04lb	$38/42	—2	$32/42
Zinc	£600.5	—23	£612
3 mths	£598	—20.25	£609.25
producers	$920		$920
OILS			
Coconut (Phil)	$470z		$270
Palm Malayan	$335v		$230
Copra (Phil)	‡		$170
Soyabean (U.S.)	$165u	+2	$166
GRAINS			
Barley Fut. Jan.	£112.60	—0.15	£110.95
Maize	£144.50		£146.00
Wheat Fut. Jan.	£111.25	—0.50	£110.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1544	—8	£1491.5
Coffee Ft. Jan.	£2387.5	+15	£2332.5
Cotton A Ind.*	50.75c	—0.1	48.75c
Gas Oil Dec.	$116.5	—3.5	$127.5
Rubber (kilo)	67p	—0.5	67p
Sugar (raw)	$145y	+4	$121
Wooltops 64s	418p kilo		398p kilo

‡ Unquoted. † per 76-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan. u Nov.

COFFEE

A quiet opening attracted dealer selling, pushing levels £30 lower from the previous close, reports DBL. By mid-morning technical short-covering was evident from the funds, lifting levels to three week highs, basis March. Dealer selling was evident on a scale-up basis. Physical interest for robustas appeared thin with limited interest for mild coffees.

COFFEE	Yesterday close	+ or —	Business Done
Nov	2385-2390	+1.0	2405-2350
Jan	2385-2390	+15.0	2407-2341
Mar	2265-2270	+10.0	2280-2226
May	2250-2255	+7.5	2265-2225
July	2250-2270	+15.0	2250-2249
Sept	2250-2300	+25.0	2250
Nov	2250-2270	+10.0	—

Sales: 5,715 (10,054) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 27: Comp. daily 1979 163.38 (162.97); 15-day average 162.86 (163.44).

COCOA

Futures traded—actively and after initially easing £25 a late rally saw much of the loss regained with closing values only £10 below the previous evening, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1507-1509	—7.5	1572-1495
March	1543-1545	—8.0	1547-1523
May	1564-1566	—10.0	1566-1552
July	1585-1586	—10.5	1588-1579
Sept	1606-1608	—10.5	1604-1597
Dec	1633-1635	—13.5	1640-1628
March	1660-1665	—14.0	1660

Sales: 2,479 (995) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for October 28: 93.13 (93.12); five-day average for October 28: 93.28 (93.37).

POTATOES

Speculation that the PMB would announce bearish off-the-field yield and consumption estimates led to further selling pressure, but in fairly quiet trade. April lost £3.50 during the morning but picked up slightly once it became apparent that the Board would not be issuing any indications. The close was steady with some persistant buying support coming in below £159.00, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	104.60	105.50	104.80-104.00
Feb	117.00	116.00	
Apr	159.20	161.00	160.20-159.50
May	177.00	179.30	177.00
Nov	84.00	85.00	

Sales: 706 (369) lots of 40 tonnes.

GRAINS

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Nov 104.75, Dec 106.50. US no 2 soft red winter Nov 111.75, Dec 113.75. French 11½-12 per cent Oct 132.50. English feed fob Nov 113.00 value, Dec 114.50/115.00 buyer/sellers, Jan/Mar 117.00, April/June 120.00 sellers East Coast. Maize: US no 3 yellow/French transhipment East Coast: Oct 14.50. Barley: English fed fob Nov 15.00 buyer, Dec 16.00/17.0 buyer/sellers, Jan/Mar 117.50/118.00 buyer/sellers.

WHEAT Mnth	Yesterday's close	+ or —	BARLEY Yest'rdy's Close	+ or —
Nov	106.05	—0.50	109.30	—0.75
Jan	111.25	—0.50	112.60	—0.15
Mar	113.80	—0.50	114.60	—0.55
May	—	—0.50	116.55	—0.10
July	117.90	—0.35	—	—
Sep	—	—0.10	101.60	—
Nov	104.20	—0.10	103.95	—

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne): Feed barley: S. East 109.60, S. West 108.40, W. Mids 105.90, N. West 105.60. The UK monetary coefficient for the week beginning Monday November 3 (based on HGCA calculations using 5 days' exchange rates) is expected to be unchanged.

Business done—Wheat: Nov 106.40-6.00, Jan 111.50-1.15, March 114.05-3.75, May 116.00-5.85, July 117.90-7.50, Sept and Nov untraded. Sales: 298 lots of 100 tonnes. Barley: Nov 109.50-9.40, Jan 112.70-2.40, March 114.80-4.55, May, Sept and Nov untraded. Sales: 87 lots of 100 tonnes.

SOYABEAN MEAL

Prices eased on stronger sterling but found good commercial support at the lower levels. 4,000 call and put options traded on June at a £4 premium, reports Muirpace.

	Y'sterd'ys close £ per tonne	+ or —	Business done
Dec	133.1-133.5	—0.35	133.1-133.8
Feb	134.6-135.4	—0.25	—
April	136.6-136.8	—0.35	—
June	134.9-134.6	—0.25	—
August	135.0-136.4	—0.20	—
October	136.0-136.0	+0.25	—
Dec	136.0-137.5	—0.25	—

Sales: 4,121 (509) lots of 20 tonnes.

JUTE

JUTE—Nov/Dec 1986 c and f Dundee BTC $340, BWC $340, BTD $300, BWD $300; c and f Antwerp BTC $320, BWC $320, BWD $290, BTD $290.

SUGAR

LONDON DAILY PRICE—Raw sugar $145.00 (£102.50), up $4.00 (up £2.50) a tonne for November-December delivery. White sugar $184.00, up $4.00.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	140.8-141.8	140.0-141.8	142.0-140.8
Mar	152.6-155.6	154.2-154.4	156.6-152.6
May	159.2-158.6	158.6-156.8	160.6-156.4
Aug	168.6-167.0	162.6-163.8	164.8-162.6
Oct	164.6-165.6	166.2-167.2	166.8-162.8
Dec	167.0-169.6	168.6-172.2	170.6
Mar	177.8-178.0	175.8-182.0	—

Sales: 1,533 (2,430) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £206.00 (£202.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for October 27: Daily price 5.72 (5.71); 15-day average 5.46 (5.40).

PARIS—(FFr per tonne): Dec 1217-1218, March 1256-1258, May 1295-1302, Aug 1327-1337, Oct 1366-1371, Dec 1395-1410.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	782/783	780	780/786.5
Jan.	746/747	755/793	758/762
April	794/795	800/793	799/802
July	710/715	710	715/717
Oct.	807/815	—	815/822
Jan.	900/915	—	810/825
Apr.	910/990	—	910/940
July	900/925	—	910/850
BFI.	785.5		786

Turnover: 196 (39).

	Close	High/Low	Prev.
Tankers			
Oct.	780/795	785	770/830
Nov.	870/980	—	940/970
Dec.	935/950	—	920/965
Mar.	920/955	—	950/975
June	946/973	—	940/965
BTI.	788		791

Turnover: 12 (13).

OIL

Spot crude oil trading continued largely confined to November and December Dubai and December and January Brent. Prices for December fell to $13.55 for Brent and $1.250 for Dubai but staged a modest recovery by the close. December WTI opened 26c down on Nymex and traded 7c down at 1.30 pm EST. In petroleum products market gas oil fell a further $4/5 but recovered slightly in the afternoon as futures markets firmed. Fuel oil followed the same pattern in bearish sentiment. Gasoline and naphtha fell on ample supplies and little buying interest—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	11.80-12.00	—0.55
Brent Blend	13.20-13.30	—0.30
W.T.I. (1pm est)	14.30-14.04*	—0.30
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe *Prompt delivery cif ($ per tonne)*		
Premium gasoline	154-168	—2.5
Gas Oil	110-112	—5
Heavy fuel oil	64-65	—2
Naphtha	121-122	—2

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Nov	111.50	—3.00	112.50-10.00
Dec	116.50	—2.50	117.50-15.00
Jan	120.50	—2.50	121.50-18.50
Feb	123.75	—2.50	124.00-22.00
Mar	120.50	—1.50	120.50-20.00
Apr	117.00	—3.75	117.00

Turnover: 5,090 (3,752) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Nov	64.00	—3.25	64.00
Dec	67.00	—3.00	67.00
Jan	68.50	—3.50	—
Feb	73.00	—	—

Turnover: 25 (137) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or —	Business Done
Nov	155.00	+2.50	—
Dec	148.00	—	—
Jan	—	—	—
Feb	—	—	—

Turnover: 0 (0) lots of 100 tonnes.

US MARKETS

COFFEE FUTURES disappointed many observers, as the market again failed to find convincing follow-through after a firm opening, reports Heinold. Expectations of an extension of the constructive Monday close above important downtrend lines were dashed when suspected commission house and computer fund interest petered out at 183c in the December position. After spending most of the session consolidating new found support at 180c sell-stops were activated—and exaggerated—in a thin market as the prices dipped below this level, to find 176.50c just before the close. Some onlookers saw this as evidence that further consolidation is necessary before the generally anticipated move upwards is convincingly achieved. Gold futures firmed steadily in pedestrian conditions, gaining over $5 at one point before settling back to close a net $3.6 up on the day at $413.90 per ounce in December. An initial rebound on the crude market, which eventually resumed its weak tone and approached the close 22c down in the December position, was seen as helpful, although traders were ambivalent asto gold's immediate prospects, citing a directionless stock market as one of the factors confusing investors' calculations at the moment.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	50.00	—	—	50.15
Nov	50.10	—	—	50.30
Dec	50.35	50.35	50.20	50.50
Jan	50.40	—	—	50.55
March	50.70	50.85	50.65	50.80
May	50.95	—	—	51.05
July	51.20	51.10	51.10	51.30
Sept	51.40	—	—	51.50
Dec	51.50	—	—	51.60
Jan	51.70	—	—	51.80

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1950	1954	1926	1945
March	1980	1984	1956	1973
May	2012	2007	1988	2003
July	2030	—	—	2024
Sept	2048	—	—	2042
Dec	2071	2065	2067	2065
March	2095	—	—	2085

COFFEE "C" 37,500 lb, cents/lbs

	Close	High	Low	Prev
Dec	177.02	183.00	176.50	180.20
March	172.95	177.50	172.60	174.54
May	173.38	177.00	172.00	174.50
July	176.13	177.00	174.25	178.00
Sept	173.50	176.00	174.00	175.00
Dec	174.00	—	—	176.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Oct	58.55	—	—	59.10
Nov	58.60	—	—	59.15
Dec	58.90	59.45	58.85	59.45
Jan	59.05	—	—	59.60
March	59.40	59.90	59.40	59.95
May	59.85	60.15	59.90	60.35
July	60.15	60.45	60.20	60.65
Sept	60.45	60.60	60.50	60.95
Dec	61.05	61.30	61.30	61.50
Jan	61.20	—	—	61.65

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	45.45	45.65	44.50	44.47
March	45.95	46.10	45.10	45.07
May	46.46	46.50	—	45.65
July	47.03	47.30	46.32	46.12
Dec	46.43	46.70	46.20	47.75
March	48.90	—	—	48.10
March	48.52	—	—	50.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Dec	14.17	14.48	14.11	14.41
Jan	14.38	14.65	14.25	14.56
Feb	14.43	14.72	14.30	14.64
March	14.44	14.58	14.28	14.61
April	14.40	14.60	14.33	14.59
May	14.44	14.45	14.28	14.57
June	14.40	14.45	14.30	14.55
July	14.50	14.50	14.30	14.53
August	14.35	—	—	14.51

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	411.8	412.7	410.3	408.1
Nov	412.1	—	—	408.5
Dec	413.9	416.0	411.6	410.3
Feb	417.3	419.3	415.0	413.7
April	420.5	421.7	416.0	416.9
June	424.0	424.8	421.3	420.3
August	427.7	429.5	426.0	424.0
Oct	431.4	—	—	427.7
Dec	435.4	436.5	433.0	431.7
Feb	439.7	437.5	437.5	436.0
June	448.7	—	—	444.9

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	37.95	38.60	37.65	38.75
Dec	39.50	40.30	39.02	40.10
Jan	40.55	41.30	40.10	41.27
Feb	41.30	41.65	41.00	42.03
March	40.80	41.20	40.40	41.18
April	39.80	40.10	39.75	40.35
May	39.00	39.05	38.75	39.48
June	38.50	39.25	—	39.13
July	38.75	39.25	38.75	39.28
August	39.60	39.60	39.60	39.80

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	118.25	115.90	114.10	114.90
Jan	117.15	117.50	115.60	116.40
March	117.35	117.90	115.50	116.25
May	17.75	117.75	116.00	116.50
July	117.50	117.50	116.25	116.40
Sept	118.10	116.35	116.25	118.90
Nov	18.70	117.70	117.50	117.70
Jan	118.90	—	—	117.95

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	578.3	580.0	575.0	576.8
Dec	582.8	—	—	581.8
Jan	582.8	586.5	577.5	581.6
April	588.8	590.0	582.1	586.5
July	591.8	592.0	—	590.4
Oct	596.1	595.0	588.0	594.9
Jan	600.6	603.0	603.0	599.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	564.4	567.8	567.8	563.8
Nov	565.1	—	—	564.6
Dec	567.5	573.0	567.0	567.0
Jan	570.3	572.0	572.0	568.8
March	576.7	581.5	576.0	575.3
May	581.2	586.0	582.0	580.9
July	587.0	590.0	589.0	586.8
Sept	593.2	—	—	593.0
Dec	602.6	608.0	603.0	602.4
Jan	606.1	—	—	605.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.45	6.65	6.50	6.45
March	6.84	7.03	6.82	6.93
May	7.00	7.18	6.98	7.11
July	7.19	7.32	7.16	7.22
Sept	7.29	—	—	7.32
Oct	7.39	7.54	7.39	7.46
Jan	7.64	—	—	7.71

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.12	59.22	58.80	59.10
Feb	56.70	57.10	56.50	57.10
April	57.30	57.60	57.15	57.60
June	57.05	57.20	56.90	57.27
Aug	55.95	56.05	55.80	56.25
Oct	54.90	55.30	54.80	55.05

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	53.60	53.85	53.07	52.46
Feb	50.75	50.90	50.35	50.42
April	46.07	46.25	45.82	45.92
June	48.25	48.25	47.85	48.17
July	47.80	47.85	47.42	47.70
Aug	46.42	46.45	46.00	45.95
Dec	43.10	45.00	42.90	43.75

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	70.10	70.25	69.17	68.65
March	69.07	69.15	68.15	67.82
May	69.02	69.15	68.05	67.82
July	67.87	68.15	67.10	67.02
Aug	65.45	65.47	64.40	64.42

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	175.4	178.0	174.0	175.6
March	183.2	185.2	182.6	183.4
May	188.6	190.2	188.2	188.0
July	190.4	192.4	190.2	190.0
Sept	190.2	192.6	190.0	189.0
Dec	192.6	194.0	191.6	191.4

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Nov	493.6	498.2	491.6	494.5
Jan	498.2	503.4	498.4	499.2
March	504.0	508.6	502.4	504.2
May	510.0	513.6	508.0	509.0
July	512.2	516.2	510.2	512.0
Aug	511.0	514.4	510.0	510.4
Sept	503.0	506.4	503.0	502.0
Nov	504.4	507.4	504.0	504.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	148.0	—	147.6	148.2
Jan	147.4	149.3	148.3	149.0
March	149.2	—	149.0	149.6
May	149.9	150.5	149.5	150.6
July	150.1	151.3	150.0	151.0
Sept	149.7	151.0	149.7	150.5
Oct	150.1	150.7	150.0	150.7
Dec	151.5	151.5	151.6	152.2

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.96	16.25	15.68	15.83
Jan	16.11	16.27	15.81	16.00
March	16.32	16.55	16.07	16.22
May	16.48	16.75	16.30	16.35
July	16.65	16.85	16.40	16.47
Aug	16.70	16.75	16.35	16.50
Sept	16.50	16.75	16.40	16.30
Oct	16.45	16.75	16.40	16.25
Dec	16.87	17.00	16.76	—
Jan	16.95	17.10	17.00	—

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Dec	287.4	294.6	287.0	294.2
March	273.4	279.0	273.0	279.6
May	257.4	261.0	257.4	260.6
July	243.0	246.6	243.0	246.4
Sept	246.0	249.0	246.0	248.4
Dec	251.0	255.0	251.0	253.0

SPOT PRICES—Chicago loose lard 15.00 (16.00) cents per pound. Handy and Harman silver bullion 567.0 (566.0) cents per troy ounce.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in nervous trading

THE DOLLAR finished below Monday's levels yesterday amid speculation that tomorrow's US trade figures for September would be worse than expected. Trading was confined to the recent trading range although the dollar fluctuated during the day without challenging resistance and support levels against the D-Mark of DM 2.00 and DM 2.05 respectively. Monday's announcement of an increased West German trade surplus did nothing to improve dollar sentiment and there was concern that despite the dollar's fall over the past 18 months the US trade deficit remained a problem.

The dollar traded between a high of DM 2.0360 and a low of DM 2.0260 before closing at DM 2.0330 down from DM 2.0465 on Monday. Against the yen it eased to Y160.10 from Y160.70 and SFr 1.6765 compared with SFr 1.6925. It was also lower against the French franc at FFr 6.6475 compared with FFr 6.6675. On Bank of England figures, the dollar's exchange rate index fell from 111.5 to 111.2.

STERLING—Trading range against the dollar in 1986 is 1.5535 to 1.3700. September average 1.4711. Exchange rate index 67.8 against 67.7 at the opening and 67.8 at Monday's close. The six months ago figure was 76.4.

Sterling showed little overall change in rather quiet trading. There was very little to influence the market and with the dollar held in a range ahead of US trade figures, the pound held steady. However dealers suggested that the current spell of stability could easily be disturbed, especially since an automatic rise in domestic interest rates if the pound weakens has been ruled out by the authorities.

The pound improved against a weaker dollar to close at $1.4160 up from $1.4070 on Monday. It was slightly weaker against the D-mark, however, closing at DM 2.8775 from DM 2.8800 and SFr 2.3700 compared with SFr 2.3825. It was higher against the yen at Y226.75 from Y226.0 and FFr 9.4125 from FFr 9.4100.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 141.7 against 138.1 six months ago.

Trading was a little nervous in Frankfurt yesterday, following a fall in the dollar's value in Far Eastern centres. The US unit was fixed at DM 2.0321 compared with DM 2.0378 and there was no intervention by the Bundesbank. Once again the dollar's underlying bearish trend created unsettled trading conditions ahead of tomorrow's US trade figures. There are fears that these may show a larger deficit than previously expected. News of a further decline in the rate of West German inflation appeared to have little effect. The dollar closed at DM 2.0290 from DM 2.0445 on Monday.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 208.6 against 201.6 six months ago.

Uncertainty ahead of tomorrow's US trade figures allowed the yen to recoup some of last week's losses against the dollar in Tokyo. The US unit fell to Y159.90 down from Y160.50 in New York and Y161.10 in Tokyo on Monday. Trading was busy towards the end of the day as speculators adjusted positions ahead of the trade figures. In addition traders pointed to US mid-term Congressional elections due on November 4 which created further uncertainty. In the absence of any clear direction the dollar tended to fluctuate quite sharply although it remained within its recent trading range.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3046	+0.44	+1.08	±1.5368
Danish Krone	7.81701	7.84813	+0.40	+1.04	±1.6403
German D-Mark	2.11083	2.08544	−1.20	−0.56	±1.1127
French Franc	6.87316	6.82122	−0.76	−0.12	±1.3659
Dutch Guilder	2.37833	2.35695	−0.90	−0.26	±1.5059
Irish Punt	0.764976	0.763499	−0.19	+0.45	±1.6683
Italian Lira	1476.95	1441.82	−2.38	−2.14	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct 28	Latest	Previous Close
£ Spot	1.4145-1.4150	1.4080-1.4090
1 month	0.56-0.53 pm	0.59-0.57 pm
3 months	1.79-1.74 pm	1.80-1.77 pm
12 months	6.35-6.25 pm	6.30-6.20 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 28	Previous
8.30 am	67.7	67.7
9.00 am	67.8	67.7
10.00 am	67.9	67.7
11.00 am	67.9	67.7
Noon	68.0	67.7
1.00 pm	67.9	67.6
2.00 pm	68.0	67.8
3.00 pm	67.9	67.7
4.00 pm	67.8	67.8

CURRENCY RATES

Oct. 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.847364	0.724960
U.S. Dollar	5.5	0.20063	1.02691
Canadian $	8.58	*	1.42473
Austrian Sch.	4	7.1726	14.6771
Belgian Franc	8	50.6756	43.3046
Danish Kroner	7	9.18962	7.84813
Deutsche Mark	3½	2.43980	2.08544
Neth. Guilder	4½	2.75725	2.35695
French Franc	9½	7.97959	6.82122
Italian Lira	12	N/A	1441.82
Japanese Yen	3½	191.200	163.843
Norway Krone	8	8.91228	7.63143
Spanish Peseta	—	163.334	139.608
Swedish Krona	7½	N/A	7.13540
Swiss Franc	4	2.01226	1.71955
Greek Drach.	20½	N/A	141.302
Irish Punt	—	N/A	0.763499

* C$/SDR rate for Oct. 27; 1.66143

CURRENCY MOVEMENTS

October 28	Bank of England Index	Morgan Guaranty Changes %
Sterling	67.8	−25.2
U.S. Dollar	111.2	+3.2
Canadian Dollar	77.3	−12.8
Austrian Schilling	132.8	+8.9
Belgian Franc	97.1	−5.8
Danish Krone	89.7	+2.1
Deutsche Mark	141.7	+19.2
Swiss Franc	166.7	+21.3
Guilder	130.1	+12.6
French Franc	70.4	−12.8
Lira	48.0	−15.6
Yen	209.6	+53.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

[illegible]

* Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4140-1.4175	1.4150-1.4160	0.56-0.53c pm	4.61	1.80-1.75 pm	5.02
Canada	1.9605-1.9675	1.9645-1.9655	0.40-0.32c pm	2.17	1.33-1.18 pm	2.55
Netherlands	3.2440-3.2560	3.2510-3.2520	1½-1¼c pm	5.07	4⅝-4½ pm	5.27
Belgium	59.59-59.90	59.70-59.80	20-15c pm	3.51	59-51 pm	3.68
Denmark	10.80-10.84½	10.83-10.84	2-1ore pm	1.66	6-4⅞ pm	2.00
Ireland	1.0455-1.0550	1.0475-1.0485	0.30-0.65p dis	−5.42	0.65-1.25 dis	−3.12
W. Germany	2.87-2.88¼	2.87-2.88	1½-1⅜pf pm	6.00	4¾-4⅝ pm	6.35
Portugal	210.05-211.30	210.40-211.27	56-117c dis	−4.92	193-342 dis	−5.07
Spain	192.15-193.70	192.35-192.65	10-47c dis	−1.78	9-69 dis	0.81
Italy	1983½-1993	1988¾-1992	1lire pm-1 dis	−1.14	3pm-1 dis	−0.76
Norway	10.47¾-10.52	10.48½-10.50	2⅝-3⅞ ore dis	−3.43	8½-9½ dis	−3.43
France	9.38¾-9.42¾	9.40-9.41½	2⅝-2c pm	2.95	7⅝-6⅞ pm	3.08
Sweden	9.82¼-9.85¾	9.83¾-9.85	2⅝-1⅞ ore pm	2.36	6⅝-5¾ pm	2.51
Japan	224¾-226¾	226¼-226¾	1¼-1y pm	5.96	3½-3¼ pm	5.96
Austria	20.19-20.28	20.23-20.26	9½-8⅛gro pm	5.22	27¾-23¾ pm	5.05
Switzerland	2.36¾-2.37¾	2.37-2.37¾	1⅜-1¼c pm	6.64	4⅛-3⅞ pm	6.75

Belgian rate is for convertible francs. Financial franc 60.15-60.25.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4110-1.4190	1.4155-1.4165	0.56-0.53c pm	4.61	1.80-1.75 pm	5.02
Ireland†	1.3425-1.3480	1.3460-1.3470	0.95-0.75c pm	7.59	2.95-2.60 pm	8.26
Canada	1.3861-1.3890	1.3880-1.3890	0.27-0.30c dis	−2.47	0.84-0.89 dis	−2.49
Netherlands	2.2805-2.3060	2.2955-2.2965	0.09-0.07c pm	0.42	0.30-0.27 pm	0.50
Belgium	42.08-42.25	42.15-42.25	3-5 c dis	−1.14	12-16dis	−2.39
Denmark	7.62¼-7.65½	7.64½-7.65	1.70-2.20ore dis	−3.06	5.50-6.00dis	−3.00
W. Germany	2.0260-2.0360	2.0325-2.0335	0.24-0.21pf pm	1.32	0.72-0.67pm	1.37
Portugal	148¾-149	148¾-149	100-140c dis	−9.67	325-425 dis	−10.08
Spain	135.77-136.14	136.00-136.10	70-80c dis	−6.62	200-225dis	−6.25
Italy	1400-1407	1404¾-1405¾	4½-5½lire dis	−4.27	16-17½dis	−4.77
Norway	7.39¾-7.42½	7.41-7.41½	4.90-5.20ore dis	−8.17	15.65-15.95dis	−8.52
France	6.62¾-6.65¾	6.64½-6.65	0.90-1.05c dis	−1.76	3.20-3.50dis	−2.02
Sweden	6.93¾-6.96¾	6.95-6.95½	1.30-1.50ore dis	−2.42	4.20-4.50dis	−2.50
Japan	158.70-160.55	160.05-160.15	0.19-0.16y pm	1.32	0.46-0.41 pm	1.09
Austria	14.26½-14.38¾	14.30¼-14.30¾	⅞-¼ gro pm	0.44	1¼pm-¾dis	0.28
Switzerland	1.6695-1.6815	1.6760-1.6770	0.30-0.25 pm	1.97	0.80-0.75 pm	1.85

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.45-42.55.

EURO-CURRENCY INTEREST RATES

Oct. 28	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	9⅝-9⅞	10⅜-10¾	10⅞-11	11⅛-11¼	11⅛-11¼	11⅛-11¼
U.S. Dollar	5⅞-5⅞	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6	6⅛-6¼
Can. Dollar	7¾-8¼	7¾-8¼	8⅛-8⅜	8⅜-8⅝	8⅝-8⅞	8⅞-9⅛
D. Guilder	5⅜-5½	5⅜-5½	5⅜-5½	5⅜-5½	5⅜-5½	5⅜-5½
Sw. Franc	⅜-⅝	9⅛-9¼	5⅜-5½	4⅛-4⅜	4⅛-4⅜	4⅛-4¼
Deutschmark	4½-4⅝	4⅛-4⅞	4½-4⅝	4½-4⅝	4⅝-4⅞	4⅞-4⅞
Fr. Franc	7⅛-7¼	7⅛-7¼	7⅜-7½	7⅞-7⅞	8-8¼	8-8¼
Italian Lire	9-11	9½-10½	10⅛-10⅝	10⅝-10⅞	10½-10¾	10⅝-10¾
B. Fr. (Fin.)	6⅞-7⅞	7-7¼	7⅛-7⅜	7¼-7½	7⅛-7⅜	7⅛-7⅜
B. Fr. (Con.)	6⅞-7¼	7-7½	7⅛-7⅜	7⅛-7⅜	7¼-7⅜	7¼-7⅜
Yen	4⅛-4⅝	4⅝-4⅞	4⅞-4⅞	4⅞-5	4⅞-5	4⅞-4⅞
D. Krone	9¼-9¾	9⅝-9⅞	9¾-10¼	9⅞-10⅛	9¾-10¼	10⅛-10⅜
Asian $ (Sing.)	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	6⅛-6⅜

Long-term Eurodollars: Two years 6⅝-6⅞ per cent; three years 7¼-7½ per cent; four years 7⅝-7⅞ per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 28	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.467	2.878	226.8	9.413	2.375	3.250	1990	1.965	59.75
$	0.706	1	2.032	160.1	6.647	1.677	2.295	1405	1.388	42.20
DM	0.348	0.492	1	78.80	3.271	0.825	1.129	691.4	0.683	20.76
YEN	4.410	6.245	12.69	1000	41.51	10.47	14.33	8774	8.666	263.5
F Fr.	1.062	1.504	3.057	240.9	10	2.523	3.453	2114	2.088	63.48
S Fr.	0.421	0.596	1.212	95.47	3.963	1	1.368	837.7	0.827	25.16
H Fl.	0.308	0.436	0.885	69.77	2.896	0.731	1	612.2	0.605	18.38
Lira	0.503	0.712	1.446	114.0	4.731	1.194	1.634	1000	0.988	30.03
C $	0.509	0.721	1.464	115.4	4.790	1.209	1.654	1012.	1	30.41
B Fr.	1.674	2.370	4.816	379.5	15.75	3.975	5.439	3330.	3.289	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Auctions likely to dominate

TRADING TODAY on the London International Financial Futures Exchange is likely to be dominated by two auctions. Early indications last night were that the auction of 7-year notes by the US Treasury might not be a great success. Earlier in the day dealers had suggested the result of the auction might be reasonably encouraging, but the attitude of Japanese investors was the main worry. First indications were that retail interest was low, and that much of the paper would be left with traders. Another important announcement for the market today will be the programme for the US Treasury's quarterly refunding in November. It is generally expected that 3-year, 10-year and 30-year paper will be offered on November 4, 5 and 6 respectively.

December US Treasury bonds opened at 96-10, boosted by a strong close in Chicago and Sydney. After falling to 96-08 the contract rose to 96-15 on the reopening of Chicago and touched a peak of 96-18, before falling back to 96-03 and closing at 96-06, compared with 96-02 previously.

Trading in Eurodollar futures was restricted to a narrow range, with movements dominated by the bonds.

The other major auction, as far as Liffe is concerned, will be the Bank of England's offer today of a £1bn convertible tap stock, in the form of 10 per cent Treasury Convertible 1991. Traders clearing their books, in order to bid for the new stock, was suggested as a possible reason for the sudden weakening of the long-term gilt contract yesterday afternoon.

December long-term gilt futures opened strong at 110-19, boosted by a firm start by sterling against the dollar on the foreign exchanges. After touching a peak of 110-22, the contract fell sharply, with former stockjobbers and US securities houses noted as active sellers. It fell to a low of 109-21, losing ½ point in about ¼ minute at one time, before closing at 110-00, compared with 110-07 on Monday.

Three-month sterling deposits for December delivery opened at the day's high of 88.90, but dealers commented that this price discounts a cut in bank base rates before the year end, and the contract weakened to finish at 88.66, against 88.67 previously.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT; 10% NOTIONAL SHORT GILT; THREE-MONTH STERLING DEPOSIT; THREE-MONTH EURODOLLAR; U.S. TREASURY BONDS 8%; FT-SE 100 INDEX; CURRENCY FUTURES

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); CERT. DEPOSIT (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX (IMM)

[illegible]

MONEY MARKETS

Flat credit and quiet trading

TRADING REMAINED very quiet on the London money market yesterday. Discount houses reported a reasonable level of inquiries from the new market makers in gilts, who may have been looking to increase their liquidity through short-term borrowings, but very little trading resulted. This was generally put down to the quiet start to Big Bang in the City.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank eased slightly to 11⅛-11¼ per cent from 11⅜-11¼ per cent, encouraged by the improvement of sterling against the dollar.

The Bank of England forecast a flat position on the money market, and did not intervene to buy any bills, but provided late assistance of around £35m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £169m, with bank balances below target absorbing £15m. These were balanced by Exchequer transactions adding £135m to liquidity, and a fall in the note circulation of £45m.

In Frankfurt call money rose to 4.55 per cent from 4.50 per cent in tight credit conditions as banks bid for funds to meet reserve requirements at the Bundesbank by the end of the month. Call money touched a peak of 4.65 per cent, but eased back after the central bank provided liquidity to the money market through currency swaps, which were estimated to be less than DM 1bn. A pension deadline today is expected to drain about DM 10bn from the banking system, and put further upward pressure on rates. Yesterday's swaps will run until Monday. It was the third successive trading day that this method was used to add liquidity.

The recent operation by the Bundesbank to add funds to the market has been purely technical, and appears to have no implications for official credit policy.

Banks ran down reserve holdings at the Bundesbank earlier this month because of excess market liquidity caused by D-Marks flowing into the banking system, following intervention by the central bank to support the dollar on the foreign exchanges. The Bundesbank then drained the excess by not fully replacing expiring securities repurchase agreements, but helped the market on a day-to-day basis by Government disbursements through state-owned banks. These funds were withdrawn earlier this week, however, to enable the Government to meet its own end of month commitments.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

LONDON MONEY RATES

[illegible]

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	100	Exch. 13¼pc 1987	100	.....	13.20	11.08
100⅝	97	Treas 10¼pcCv '87	99	+	10.28	10.98
98	92	Exch 2½pc 1987	98	+	2.54	7.39
101⅛	97½	Exch. 10½pc 1987	99¾	+	10.53	11.06
98⅝	93⅝	Funding 6½pc 85-87	98¼xd	+	6.62	10.21
101½	96	Treas. 10pc 1987	99	+	10.07	11.09
97	90⅝	Treas 3pc 1987	96	+	3.11	8.25
104½	99¼	Treas. 12pc 1987	100xd	+	11.89	11.01
99¼	92	Treas 7¾pc 1985-88‡‡	96⅝	+	8.02	10.64
104	96¼	Exch 10½pc '88	99xd	+	10.59	11.14
102⅝	95½	Treas 9½pc Cv '88	97⅝	+	9.96	11.18
94⅛	86⅝	Transport 3pc '78-88	92	−	3.26	8.20
102½	93	Treas. 9½pc '88	97½	+	9.78	11.15
107	98	Treas 11½pc 1989	100½	+	11.44	11.19
103½	93⅝	Treas 9½pc Cnv 1989	96	+	9.84	11.13
92⅛	82	Treas 3pc 1989	87⅝xd	−	3.42	8.53
105	95	Treas 10½pc 1989	98½	+	10.66	11.15
104	94⅛	Exch 10pc 1989	97⅛	.....	10.30	11.21
107	97	Exch 11pc 1989	99	+	11.05	11.16
93	84½	Treas 5pc 1986-89	88	−	5.56	9.52
110	94⅝	Exch 10¼pcCv '89	99⅞xd	.....	10.26	10.92
114	103	Treas 13pc 1990‡‡	104⅞	+	12.40	11.11
108⅛	97⅛	Exch 11pc 1990‡‡	99⅝	+	11.04	11.09
113⅛	101	Exch. 12½pc 1990	103¾	+	12.05	11.14
89¾	79⅝	Treas. 3pc 1990	83⅛xd	+	3.60	8.57
100	89⅛	Treas 8¼pc 1987-90‡‡	93	+	8.85	10.54
106	93	Treas. 10pcCv 1990	96½	−	10.36	11.11
86	76½	Exch 2½pc 1990	80⅛xd	+	3.11	8.28
112	99	Treas 11¾pc 1991	101¾	.....	11.53	11.13
94⅛	83	Funding 5¾pc '87-91‡‡	87	+	6.61	9.24
86⅛	79	Treas. 3pc 1991●	79⅝xd	.....	3.77	8.51
E96¼	—	Tr 10pcCv'91(£40pd)●	E96¼	.....	10.39	11.04
110⅝	96	Exch. 11pc 1991	99¾	−	11.03	11.10

Five to Fifteen Years

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
118¼	105⅝	Treas 12¾pc 1992‡‡	106	+	11.99	11.08
107⅝	92	Treas 10pc 1992	95⅜	+	10.48	11.14
109¾	94	Treas 10½pc Cv 1992‡‡	97¼xd	+	10.77	11.13
117¼	101	Exch. 12¼pc '92	104¼	+	11.74	11.20
123¼	106⅞	Exch 13½pc 1992	109⅞	+	12.35	11.24
108	94	Treas 10pc 1993‡‡	95	+	10.49	11.01
120⅞	103½	Treas 12½pc 1993‡‡	106	.....	11.77	11.14
92	78½	Funding 6pc 1993‡‡	84	+	7.13	9.16
128¼	109	Treas 13¾pc 1993‡‡	112	+	12.26	11.23
133¾	114	Treas 14½pc 1994‡‡	116	+	12.41	11.09
127¼	108½	Exch 13½pc 1994	111	+	12.13	11.23
122¼	103	Exch. 12½pc 1994	106	+	11.72	11.18
104	86⅞	Treas 9pc 1994‡‡	90⅝xd	+	9.94	10.29
120¼	101½	Treas 12pc 1995	104¼	+	11.48	11.13
79	68⅛	Exch 3pc Gas 90-95	74xd	−	4.03	7.05
110½	92¼	Exch. 10¼pc 1995	95⅝	+	10.72	11.03
126⅝	106¼	Treas 12¾pc 1995‡‡	109¼xd	+	11.66	11.10
133¾	113	Treas. 14pc '96	115	+	12.11	11.22
103⅞	86	Treas 9pc 1992-96‡‡	89⅞	+	10.03	10.76
142¼	120	Treas 15¼pc 1996‡‡	122xd	+	12.40	11.26
130½	110	Exch 13¼pc 1996‡‡	112xd	+	11.79	11.19
84½	74⅛	Redemption 3pc 1986-96	79	+	3.78	5.75
106⅞	92⅝	Conversion 10pc 1996	94xd	+	10.62	10.97
131¼	110	Treas 13¼pc 1997‡‡	112⅝	+	11.76	11.19
112¼	94¼	Exch 10½pc 1997	96	+	10.86	11.03
101⅝	84	Treas 8¾pc 1997‡‡	87	+	10.04	10.77
143	120¼	Exch 15pc 1997	122¼	+	12.22	11.33
107⅞	89	Exch. 9¾pc 1998	92	+	10.53	10.90
88½	72⅞	Treas 6¾pc 1995-98‡‡	75xd	+	8.92	10.43
148⅞	125	Treas. 15½pc '98‡‡	127	+	12.15	11.24
124⅛	103	Exch. 12pc 1998	106xd	+	11.26	11.01
107¼	89	Treas 9½pc 1999‡‡	91⅝	+	10.37	10.69
126½	105	Exch. 12¼pc 1999	108¼	+	11.32	11.01
114	94	Treas. 10½pc 1999	97¼xd	+	10.74	10.84
112	93	Conversion 10¼pc 1999	96xd	+	10.68	10.83
103⅝	87⅝	Conversion 9pc 2000‡‡	88½	+	10.17	10.63
133½	111	Treas. 13pc 2000	113⅝	+	11.44	11.03
111⅛	92	Treas 10pc 2001	94¾	+	10.55	10.71
137¼	115	Treas. 14pc '98-01	117½xd	+	11.90	11.26
109⅝	90⅝	Conversion 9¾pc 2001	93⅛	+	10.47	10.68

Over Fifteen Years

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
124⅝	104	Exch. 12pc '99-02	106	+	11.30	11.05
111¼	92	Conversion 10pc 2002	95	+	10.53	10.66
109⅞	90	Treas 9¾pc 2002	93	+	10.46	10.64
139	116	Treas. 13¾pc 2000-03	118	+	11.59	11.07
112¼	93¾	Treas 10pc 2003	94	−	10.51	10.62
129¾	102	Treas. 11½pc 2001-04	105	+	[illegible]	[illegible]
112½	92	Treas. 10pc 2004	95¼xd	+	10.49	10.59
60⅝	49⅝	Funding 3½pc '99-04	50⅝	+	6.92	9.21
108	88	Conversion 9½pc 2004	93	+	10.40	10.58
108¼	89	Conversion 9½pc 2005	91	−	10.37	10.54
117⅞	97	Exch. 10½pc 2005	99	+	10.54	10.54
133¼	111	Treas. 12½pc 2003-05	113xd	+	10.96	10.70

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INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	Miletone 10p	80	–2	L2.46	2.6	4.3	12.4
78½	45	Mitchell Cotts	55½	+½	1.5	♦	3.8	♦
124	81	Monks & Crane 10p	112	–2	L2.7	2.9	3.4	13.7
323	210	Morgan Crucible	316	–2	†8.5	1.5	3.8	20.7
23½	15½	Morris (W) F.A. 20p	17	.....	—	—	—	—
152	65	Myson Grp 10p	140	+1	†2.63	2.6	2.6	18.1
365	230	N M W Computers	242	+2	†6.0	3.0	3.5	13.9
96	27	Nash Inds	96	+2	†0.5	—	0.7	—
*27½	14½	Neill & Spencer 10p	14½	.....	♦b	—	—	—
39	28	Newman Inds 10p	34	+½	†0.8	1.5	3.3	(26.0)
134	65	Noble & Lund 10p	104	–1	0.7	4.3	0.9	34.2
65	39	Nolton	53	.....	†0.95	7.0	2.5	7.6
150	96	Norank Systems 5p	138	–1	nil.5	—	1.5	17.7
286	187	Norcros	225½	+2	9.3	2.2	5.8	10.8
195	49	Nu-Swift 5p	191xd	.....	†3.5	2.1	2.6	25.7
£356½	£228	OCE 9pc Cnv 1987-92	£321½xd	.....	Q9%	—	†2.8	—
118	80	Oakwood Grp	95	+7	†5.0	1.3	‡	13.2
250	185	Office & Elect	195xd	.....	8.5	2.9	6.1	8.0
283	70	Oldacre 20p	275	.....	♦5.0	♦	4.1	♦
34	26	Omnitech 1p	28	–1	—	—	—	—
36	18	Optometrics $0.01	18	–4	—	—	—	—
890	500	Oriflame £1	860	.....	†24.5	2.1	4.0	16.7
10	5	Ovenstone 12½c	6	.....	Q3.23c	1.9	16.7	3.2
142	85	PCT Grp 10p	133	.....	4.2	—	5.8	—
£20½	£13½	PLM 'B' Sk 25	£19⅞	+⅝	Q23.2%	0.3	3.0	—
195	134	PSM Intl.	191	–4	s†d5.5	2.1	4.1	14.3
255	160	Pacer Systems $0.01	188	–2	L03.84c	3.4	1.4	20.9
78	50	Pacific Sales 10p	52	.....	3.0	1.4	8.3	12.2
445	246	Parker Knoll 'A'	407	+3	12.0	3.2	4.2	10.7
222	83	Parkfield Group 2p	182	–1	3.6	4.2	2.8	11.5
53	17	Pavion Intl	28	–½	—	—	—	5.3
£130	£64½	Do 11pc CvLn '94-02	£74½	.....	Q11%	—	15.1	—
608	393	Pearson	582½	+10½	†10.0	2.8	2.4	18.9
50	12	Peek Holdings 5p	48	–2	—	—	—	—
151	88	Peerless	150	–1	6.3	1.5	5.9	(15.4)

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
112	30	Anglo-Dominion	104	–1	—	—	—
42	19½	Anglo Utd Dev	24	–1	—	—	—
80	27	Colby Res Corp	34	–4	—	—	—
300	115	Cons. Murch. 10c	£3½	+¼	Q60c	4.4	12.4
34	24	Enoex Int. Ir10p	25	.....	—	—	—
144	70	Greenwich Res	124	+2	—	—	—
157	93	Hampton Areas 10p	148	.....	♦1.0	—	1.0
327	165	Highwood Res	241	–2	—	—	—
£20¾	£13½	Homestake Mining $1	£18⅝	–⅛	Q20c	—	0.7
310	156	McFinley Red Lake	218	.....	—	—	—
285	144	Musto Explorations	188	–9	—	—	—
51	28	New Sabina Res C$1	39½	–½	—	—	—
353	200	Northgate C$1	331	–2	—	—	—
790	513	RTZ	658xd	.....	22.0	2.4	4.7
£164	£115	Do. 9½pcLn '95-2000	£140½xd	+½	Q9½%	15.5	†6.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- • "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ⁂ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenga. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60		Fin. 13% 97/02	£93¾	.....
Craig & Rose £1	£14¾		Arnotts	260	
Finlay Pkg. 5p	48		CPI Hldgs	40	.....
Holt (Jos) 25p	813	–2	Carrol Inds.	113	.....
IoM Stm. £1	75	.....	Dublin Gas	30	.....
			Hall (R. & H.)	79	.....
IRISH			Heiton Hldgs.	29	.....
Fund 11¼% 1988	£96¾	+⅛	Irish Ropes	110	
Nat. 9¾% 84/89	£90¾	+⅛	Unidare	225	.....

"Recent Issues" and "Rights" Page 43 (International Edition Page 37)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*"New time" dealings may take place from 9.00 am two business days earlier.

Calmer trading session leaves gilt-edged stocks firmer and equity leaders slightly easier

Day Two of the post-Big Bang era on the UK securities markets started on a more confident note but was marred at lunch-time by a half-hour breakdown in the Stock Exchange's Topic electronic reporting network. While dealers continued to trade by telephone, there was no gainsaying the frustration felt.

Equities lost ground in moderate turnover. Oil stocks fell sharply as crude oil prices eased but rallied after Saudi Arabia denied that it plans to undercut netback prices.

Activity on the Exchange trading floor continued to show a significant decline from last week as dealers turned more readily to their offices, where they traded with the help of the computer screens and the telephones. Even the most determined traditionalists now believe that the trading floor will rapidly lose its pre-eminence as a venue for securities business.

For the smaller firms, this will present a dilemma since, lacking the capital to build the new electronic trading rooms, they need the trading floor to transact clients' orders.

The gilt-edged market has adapted readily to the new trading system, although routine trading information is slow to reach the SEAQ network.

Government bonds opened firmly as some traders caught up with the better prices quoted at the previous close. Prices began to shade lower during the session, only to steady at the close, to show net gains extending to ½.

The bond market sounded optimistic ahead of the tender today for the £1bn convertible tap stock issue announced on Friday night. The issue is tax free to foreigners and has an attractive conversion option.

In equities, the disclosure of turnover figures for Alpha stocks attracted interest. Turnover of 6m shares in **British Petroleum** depicted nervous selling by UK holders. Also active were **Beecham** (2.7m shares), firmer after selling the soft drink interests.

An outstanding feature was Sears, with 10m shares traded as the market looked for confirmation of rumours of an impending bid. With **Turner & Newall** cleared to rebid—if it wants—**AE** came back to trade 13p higher at 232p, against the 240p cash previously offered by Turner, whose shares gained 3p to 180p.

The FT-SE 100 Index closed 2.6 down at 1583.6 and the FT Ordinary index 2.2 lower at 1255.6.

Royals retreat

Composite Insurances turned irregular after recent firmness which had greeted a bullish Phillips and Drew circular. **Royals**, scheduled to report third-quarter figures on November 13, gave up 16 at 829p, while **Commercial Union** cheapened 3 at 290p; the latter's 9-monthly figures are due on November 12.

Breweries attracted a fair measure of attention as investors took positions ahead of the forthcoming results season. **Allied-Lyons** remained lively—over 3m shares changed hands—and advanced 6 to 306p despite conflicting views from leading brokers; de Zoete and Bevan and Kleinwort Grieveson recommended purchases, but Wood Mackenzie were quick to advise caution and reiterated recent advice to concentrate on Bass, Whitbread and Guinness. **Bass** closed 14 up at 709p, while **Whitbread A** traded between 268p and 262p before settling at the overnight level of 264p. Regionals highlighted **Burtonwood** which leapt 32 more to 652p on further consideration of recent press comment which stated that the company's asset value is currently around £14 per share.

Leading Building issues displayed no set trend following a moderate turnover. **Blue Circle** drifted back to 611p prior to closing 3 cheaper on balance at 616p, but **Rugby Portland Cement** closed 3 better at 159p, after 160p, following publuicity given to a broker's circular. **BPB Industries** finished 3 off at 444p despite the reports that Salomon Brothers, the big US trader, had bought stock. **Barratt Developments** found support and firmed 5 to 148p, while **George Wimpey** hardened a couple of pence to 178p after a broker's lunch. Elsewhere in the Building sector, **British Dredging** gained 5 to 75p on re-rating suggestions, while **Tilbury Group** touched 202p prior to closing a net 8 up at 200p on Raine Industries takeover hopes. **John Mowlem** gained 9 to 349p on speculation about the possible sale of one of its plant hire subsidiaries.

Sears active

Sears were again the most actively traded of the leading retailers—10m shares changed hands yesterday—amid continuing rumours that Mr Gerald Ronson was trying to form a consortium in order to launch a bid for the group. However, the shares traded within a narrow range and closed only a penny dearer on balance at 132p, after 133p. **Marks and Spencer**, meanwhile, disappointed analysts by reporting interim profits at the lower end of the range—first-half pre-tax profits were up from £137.6m to £155.6m—and the shares subsequently drifted lower to finish the session 5 down at 195p with just over 5m shares transacted. **Next** softened a penny at 249p awaiting today's preliminary results, while **Gussies "A"** lost 9 at 969p. Elsewhere, **Top Value**, 10 better at 78p, and **Smallbone**, 6 higher at 183p, both drew strength from excellent interim results, while **S. Casket** attracted revived speculative support at 66p, up 4.

A profits downgrading of **Plessey** by Chase Manhattan Securities and advice for investors to switch into **GEC** left Plessey a few pence off at 172p and GEC 2 dearer at 167p; nearly 6m shares changed hands in **British Telecom**, but the close was unaltered at 185p. **Thorn EMI** came on offer at 449p, down 6. Elsewhere in Electricals, **Amstrad** dropped to 110p at one stage as a parcel of 2½m shares came on offer, but once placed the price recovered to finish at 113p, still 4 down on the day. **United Scientific** reflected continuing takeover hopes with a rise of 7 at 149p, while demand of a speculative nature also helped **Electronic Machine** rise 9 to 68p.

Secondary Engineerings recorded several outstanding movements. **GM Firth**, still reflecting expansion hopes, hardened 5 more to 70p, while **Porter Chadburn**, in which GM Firth holds a large stake, moved up 17 to 355p on speculation about a limited market. **Stothert and Pitt**, in contrast, met with further nervous selling in an unwilling market and dipped 25 more to 95p. **William Cook** closed 5 cheaper at 210p following news of the proposed acquisition of Weir Foundries from Weir Group to be funded by a £10.25m rights issue.

United Biscuits traded briskly and closed a penny dearer at 228p, while **Cadbury Schweppes**, the subject of revived US support, closed 3 dearer at 190p. On the other hand, **Northern Foods** ran back 12 to 273p as Hillsdown Holdings denied any bid intentions. **ASDA-MFI** drifted off to close 4 cheaper at 162p.

The sale of Liggett to Bennett S. Lebow for some $137m cash failed to inspire **Grand Metropolitan** which closed 3 off at 436½p, after 441p. **Kennedy Brookes** gained 16 more to 270p amid mounting bid speculation; **Crests** rose 11 to 146p in sympathy.

Pearson below best

Demand persisted for **Pearson** amid continuing speculation that Hutchison Whampoa had increased its stake. The shares touched 593p before settling well below the best with a rise of 10 on the day at 582p. Elsewhere in the miscellaneous industrial sector, **Wolseley**, reflecting the good preliminary figures, rose 10 to 573p, while **Fobel** mover up 9 to 48p in response to the sharp interim profits recovery and bullish statement on the outlook. **BBA** reacted 5 further to 124p, after the rationalisation proposals which followed hard on the heels of a broker's downgraded profits forecast for the company. **Diploma** rallied 6 to 166p, while **Reed International** closed 6 to the good at 250p awaiting today's half-year figures. **Williams Holdings** encountered selling and gave up 10 to 528p. Among the leaders, **Beecham** were a relatively lively market at 428p up 3, with interest enlivened by the agreement to sell to Britvic a large part of its non-Cola soft drinks business for approximately £120m. **Hanson Trust** remained a reasonable active counter and settled a penny firmer on the day at 195¼p.

Central TV continued to respond to a broker's circular and closed a further 19 higher at 403p. **Campari** attracted speculative support and put on 11 to 80p, after 83p.

Rover improved further to 38p following the proposed early redemption of four BLMC loan stocks with an aggregate nominal value of nearly £80m. The directors believe that by removing restrictions contained in the trust deeds, the parent Rover group will have greater flexibility in meeting its long-term financing requirements. The 7¼ per cent Convertible 1983-87 rose 5 points to 95 bid. In contrast, **Lucas Industries** weakened 8 further to 446p, a two-day fall of 34, on comment about the effects of wage costs of the group's profits; on Monday, Phillips and Drew sharply downgraded its forecast from £120m to £98m. After-the-event profit-taking brought **British Car Auction** back 4 to 153½p—the annual results were in line with expectations.

Selected Newspapers attracted support and **Portsmouth and Sunderland** advanced 10 to 151p, while **Associated** moved up 8 to 311p. **Osprey Communications**, at 72p, regained Monday's fall of 11 on news that Cayzer Nominees had recently purchased 200,000 shares at an undisclosed price for registration in four separate designated accounts. USM-listed **Thorpac** jumped 49 in a thin market to 160p helped by country buying; late in the session it was announced that the chairman and a director intend to retire and dispose of their interests, both beneficial and trustee.

Turnover among the Property leaders failed to match the fairly high levels of Monday and prices closed little changed on balance. **British Land**, after the previous day's gain of 20 which followed reports of a broker's circular, traded within narrow limits and settled a fraction cheaper at 178½p. **Property Holding and Investment**, which announced details of an agreed merger with Wingate last week, fell 8 to 170p on news that Apex Corporation's 160p per share tender offer had been declared void. However, traders are still not ruling out further bid developments. **Chesterfield** rose 15 to 455p in reply to the good interim results, but **Frogmore Estates** shed 4 to 210p following the annual figures.

Aitken Hume made only a token response to the purchase of a 10.84 per cent share stake by Sunshine Pacific of Hong Kong, a member of the Lee Ming Tee group. Aitken Hume regards the shareholding as friendly to the board.

Oils dull

Falling crude oil prices prompted some fairly heavy selling of the oil majors which sustained falls well into double figures before staging a minor rally late in the day. **British Petroleum** finished 11 down at 642p, after 639p, while **Shell** settled 13 lower at 879p, after 875p. **Conroy** met with revived speculative buying and moved up 15 to 278p. **Command Petroleum** were quoted at 20p following the capital reconstruction.

Several good features in Overseas Traders were the result of either takeover speculation or suspected stake-building exercises. **Harrisons and Crosfield** were strong at 437½p, up 23½, while **Inchcape**, 484p, and **Paterson and Zochonis**, 248p, both added 5.

South African Golds took Monday's recovery a stage further, although trading remained thin and sensitive as major international investors displayed marked reluctance to establish fresh positions ahead of the US trade figures which are expected tomorrow.

Heavyweight Golds showed **Randfontein** 1¾ up at £58¼ and **Vaal Reefs** 1¼ dearer at £52¼, while **Southvaal** improved 1¾ to £26. Among the more marginal issues, **Freegold**, 746p, and **Kinross** 829p, both rose around 40 apiece, while **Stilfontein** advanced 24 to 419p. The FT Gold Mines index closed 8.1 up at 277.7.

South African Financials took up a firmer stance behind **Anglo American Corporation**, finally 20 up at 910p. **"Amgold"** hardened almost a point to £47¾, while **De Beers Deferred**, in receipt of bullish circulars from a number of London brokers recently, put on a few pence to 492p. London Financials showed **Consolidated Gold Fields** 11 lower at 639p as 1.1m shares changed hands, but **RTZ**, suggested as a possible suitor for Pilkington, held the overnight level of 658p.

A recovery in overnight Sydney and Melbourne markets was fully reflected in London and leading "down-under" resource counters made modest progress across the board. **Peko-Wallsend**, 296p, and **Western Mining**, 213p, rose 8 apiece, while **CRA** hardened a few pence to 348p. **Renison** rallied 11 to 415p. With the exception of **Central Norseman**, 10 cheaper at 653p, Golds took up a firmer stance. **Poseidon**, 188p, and **Gold Mines of Kalgoorlie**, 638p, hardened 8 and 5 respectively, while **Kidston** added 10 at 300p. **Australian Consolidated Minerals** rose 5 more to 200p on further consideration of the joint venture with **Allstate Exploration**, unchanged at 38p, for the redevelopment of a gold mine in Beaconsfield, Tasmania, via a $A15m rights issue.

FINANCIAL TIMES STOCK INDICES

	Oct. 28	Oct. 27	Oct. 24	Oct. 23	Oct. 22	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.94	82.37	82.53	82.30	82.89	83.64	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.86	88.76	88.81	88.75	89.02	89.48	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,255.6	1,257.8	1,251.6	1,249.9	1,262.4	1,061.3	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	277.7	269.6	262.9	277.2	286.6	248.4	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.46	4.45	4.46	4.41	4.41	4.54				
Earnings Yld.%(full)	10.29	10.27	10.29	10.28	10.15	11.12				
P/E Ratio (net) (*)	11.92	11.93	11.90	11.93	12.08	11.11				
Equity Turnover £m.	—	585.81	735.68	654.97	616.10	499.67				
Equity Bargains	—	26,546	32,398	34,708	30,890	22,648				
Shares Traded (ml).	—	271.1	349.6	315.8	319.93	240.8				

S.E. ACTIVITY

Indices	Oct. 27	Oct. 24
Gilt Edged Bargains	99.67	91.3
Equity Bargains	172.0	209.9
Equity Value	1184.1	1487.0
5-Day Average		
Gilt Edged Bargains	106.4	108.3
Equity Bargains	211.6	234.5
Equity Value	1262.9	1299.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1258.1	1257.2	1256.1	1252.9	1252.6	1250.6	1251.6	1251.6

Day's High 1258.1. Day's Low 1250.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.44.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traded Options

Dealers reported a lively and generally evenly-balanced business in Traded Options. Illustrating the trend, activity was almost equally split with 11,181 calls and 10,882 puts transacted. **Hanson Trust** remained foremost in operators' sights, attracting 2,093 calls and 1,873 puts. **Marks and Spencer** recorded 1,122 calls and 1,353 puts on the interim statement.

Traditional Options

- First dealings Oct 20 Nov 3 Nov 17
- Last dealings Oct 31 Nov 14 Nov 28
- Last declaration Jan 22 Feb 5 Feb 19
- For Settlement Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Call options were arranged in **Mitchell Cotts, Lucas Industries, Quest Automation, Hampton Trust, Rock, Amstrad, Valor, Peatland, Stone International, Blacks Leisure, Southend Stadium, Raine Industries, British Syphon, Feedex, Combined Technologies, Oil Search, Andletronic, Stakis, Fairline Boats, Tricentrol, Ultramar, System Designers, Peek, J. E. England** and **Bestwood**. A put was transacted in **Hughes Food**, while doubles were taken out in **Polly Peck, Bestalls** and **United Scientific**.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (94)

BRITISH FUNDS (1) Exch. 2½pc 1987. **AMERICANS (3)** Browning-Ferris, CPC Intl., Transworld Corp. **BREWERS (3)** Brown (Matthew), Burtonwood Brewery, Morland. **BUILDINGS (4)** HAT, Helical Bar, Manders, Tilbury. **CHEMICALS (2)** Dialene, Hercules Inc. **STORES (5)** Casket (S), Gabicci, House of Lerose, Lee Cooper, Pentos. **ELECTRICALS (6)** Bennett & Fountain, Checkpoint Europe, Chuangs, Macro 4, Quest Automation, Zygal Dynamics. **ENGINEERING (3)** Atlas Conv. Equip., Firth, Hampson Inds. **FOODS (5)** Berisford (S. & W.), Borthwick (Thomas), England (J.E.), Fisher (A.), Greggs. **HOTELS (2)** Crests, IoM Enterprises. **INDUSTRIALS (14)** Aronson, Astra AB, Borg-Warner, Cannon Street Invs., China Light, Consultants, DSC, Fletcher Challenge, Flogas, Hutchison Whampoa, Kleen-E-Zee, Nash Inds., Polymark, Silentnight. **LEISURE (5)** Campari Intl., LWT, Stanley Leisure, Thames TV, Yorkshire TV. **MOTORS (2)** Abbey Panels, Gates (F.G.). **NEWSPAPERS (2)** Portsmouth & Sunderland, Trinity Intnl. **PAPER (3)** Eucalyptus, Olives Paper, Thorpac Group. **PROPERTY (6)** Arlington Securities, London & Prov. Shop, London Shop Prop., Merlin Intl. Props., Southend Stadium, UK Land. **SHIPPING (2)** Common Bros., Runciman (W). **SHOES (1)** Pittard. **TRUSTS (20)** **OILS (1)** Imp. Cont. Gas 8% 1995-2000. **OVERSEAS TRADERS (2)** Harrisons & Crosfield, Inchcape. **MINES (2)** Julia Mines, Jantas.

NEW LOWS (28)

BANKS (1) MCorp. **BUILDINGS (1)** Aberdeen Construction. **CHEMICALS (1)** Morceau. **STORES (2)** Liberty N/V, Windsmoor. **ELECTRICALS (7)** CAP, Electrocomponents, Godwin Warren, Highland Elec., Micro Scope, Powerline Intnl, Unitech. **ENGINEERING (1)** Stothert & Pitt. **FOODS (1)** Sims Catering. **INDUSTRIALS (7)** BBA Group, Dinkie Heal, Hille Ergonom, Hollis, Magnacard, Optometrics, Williams Hldgs 5¼pc Cnv. Prf. **LEISURE (2)** Aspinall Hldgs., Marina Dev. **MOTORS (1)** Lucas Inds. **PROPERTY (2)** Bredero Props., Prop. Partnership. **SHIPPING (1)** Sea Containers. **TOBACCOS (1)** BAT Inds. 12¼pc Ln.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	96	10	7
Corporations, Dom. and Foreign Bonds	17	3	49
Industrials	497	431	595
Financial & Properties	212	119	247
Oils	20	38	54
Plantations	5	4	5
Mines	86	30	66
Others	37	89	78
Totals	970	724	1,101

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume	Closing price	Day's change	Stock	Volume	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday October 28 1986

Figures in parentheses show number of stocks per section

No.	Group	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Oct 27 Index No.	Fri Oct 24 Index No.	Thur Oct 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	645.09	+0.2	9.45	3.96	13.43	15.51	643.50	645.27	645.00	555.68
2	Building Materials (27)	[illegible]									
3	Contracting, Construction (30)	[illegible]									
4	Electricals (12)	[illegible]									
5	Electronics (38)	[illegible]									
6	Mechanical Engineering (60)	[illegible]									
8	Metals and Metal Forming (7)	[illegible]									
9	Motors (16)	[illegible]									
10	Other Industrial Materials (21)	[illegible]									
21	CONSUMER GROUP (185)	[illegible]									
22	Brewers and Distillers (22)	[illegible]									
25	Food Manufacturing (24)	[illegible]									
26	Food Retailing (16)	[illegible]									
27	Health and Household Products (10)	[illegible]									
29	Leisure (27)	[illegible]									
31	Publishing & Printing (15)	[illegible]									
32	Packaging and Paper (14)	[illegible]									
34	Stores (38)	[illegible]									
35	Textiles (17)	[illegible]									
36	Tobaccos (2)	[illegible]									
40	OTHER GROUPS (87)	[illegible]									
41	Chemicals (20)	[illegible]									
42	Office Equipment (4)	[illegible]									
43	Shipping and Transport (13)	[illegible]									
44	Telephone Networks (2)	[illegible]									
45	Miscellaneous (48)	[illegible]									
49	INDUSTRIAL GROUP (483)	[illegible]									
51	Oil & Gas (17)	[illegible]									
59	500 SHARE INDEX (500)	[illegible]									
61	FINANCIAL GROUP (118)	[illegible]									
62	Banks (8)	[illegible]									
65	Insurance (Life) (9)	[illegible]									
66	Insurance (Composite) (7)	[illegible]									
67	Insurance (Brokers) (9)	[illegible]									
68	Merchant Banks (12)	[illegible]									
69	Property (49)	[illegible]									
70	Other Financial (24)	[illegible]									
71	Investment Trusts (99)	[illegible]									
81	Mining Finance (2)	[illegible]									
91	Overseas Traders (13)	[illegible]									
99	ALL-SHARE INDEX (732)	[illegible]									
	FT-SE 100 SHARE INDEX ♦	1583.6	-2.6	1588.2	1578.7	1586.2	1577.1	1572.5	1589.6	1591.2	1583.7

FIXED INTEREST

PRICE INDICES	Tues Oct 28	Day's change %	Mon Oct 27	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
Index-Linked					
6 5 years	[illegible]				
7 Over 5 years	[illegible]				
8 All stocks	[illegible]				
9 Debentures & Loans	[illegible]				
10 Preference	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS	Tues Oct 28	Mon Oct 27	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

♦ Opening index 1586.3; 10 am 1585.5; 11 am 1583.9; Noon 1581.4; 1 pm 1581.5; 2 pm 1580.6; 3 pm 1579.0; 3.30 pm 1579.6; 4 pm 1581.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 28. Total Contracts 22,063. Calls 11,181. Puts 10,882
*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 32,193

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

ABN Bank	11	Citibank NA	11	● Morgan Grenfell	11
Adam & Company	11	Citibank Savings	¶12.45	Mount Credit Corp. Ltd	11
Allied Arab Bk Ltd	11	City Merchants Bank	11	Nat Bk of Kuwait	11
Allied Dunbar & Co	11	Clydesdale Bank	11	National Girobank	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Nat Westminster	11
American Exp. Bk	11	Consolidated Cred.	11	Northern Bank Ltd	11
Amro Bank	11	Co-operative Bank	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Cyprus Popular Bk	11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Duncan Lawrie	11	Provincial Trust Ltd	12
Associated Cap Corp	11	E.T. Trust	11	R. Raphael & Sons	11
Banco de Bilbao	11	Exeter Trust Ltd	12	Roxburghe Guarantee	11½
Bank Hapoalim	11	Financial & Gen. Sec.	11	Royal Bk of Scotland	11
Bank Leumi (UK)	11	First Nat. Fin. Corp	11½	Royal Trust Co Canada	11
Bank Credit & Comm	11	First Nat. Sec. Ltd	11	Standard Chartered	11
Bank of Cyprus	11	● Robert Fleming & Co	11	Trustee Savings Bank	11
Bank of Ireland	11	Robert Fraser & Ptrs	12	UDT Mortgage Exp.	11
Bank of India	11	Grindlays Bank	11	United Bk of Kuwait	11
Bank of Scotland	11	● Guinness Mahon	11	United Mizrahi Bank	11
Banque Belge Ltd	11	● Hambros Bank	11	Westpac Banking Corp	11
Barclays Bank	11	Heritable & Gen. Trust	11	Whiteaway Laidlaw	11½
Benchmark Trust Ltd	11	● Hill Samuel	11	Yorkshire Bank	11
Beneficial Trust Ltd	11	C. Hoare & Co	11		
Brit. Bk of Mid. East	11	Hongkong & Shanghai	11		
● Brown Shipley	11	Knowsley & Co. Ltd	11½		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	11	Midland Bank	11		
● Charterhouse Bank	11				

● Members of the Accepting Houses Committee. [illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

NETHERLAND

GERMANY

ITALY

FRANCE

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices October 28

Sales	Stock	High	Low	Close	Chng
300	Canron A	$17⅛	17	17⅛	−⅛
1630	Cara	$10½	10¼	10¼	
700	Cara A f	$9⅞	9¾	9⅞	−⅛
29027	Carl OK	$13⅝	13¼	13⅝	+¼
112359	Carma A	15	14	14	
27105	Inco	$17⅞	17⅝	17⅞	+⅛
1100	Indal	$13¼	13⅛	13¼	
2000	Inland Gas	$13½	13⅜	13½	+¼
7600	Innopac	$14⅜	13⅞	14⅜	+½
1466	Inter City	$15⅛	15	15	
450	Rayrock f	$6⅞	6¾	6⅞	+⅛
4450	Redpath	$23	22⅞	22⅞	−⅛
325	Reitman A f	$29⅛	28½	29⅛	+⅝
2450	Rio Algom	$21⅛	20¾	21⅛	+⅛
2100	Rogers A	$21⅛	20¾	20¾	−⅛

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices October 28

Sales	Stock	High	Low	Close	Chng
23069	Royal Bank	$33⅜	33⅛	33¼	
85830	RoyTrstco	$30⅛	30	30⅛	−⅜
4435	SteinbrgA	$36½	35⅞	35⅞	

Sales 3,267,238 shares

Indices

NEW YORK-DOW JONES

	Oct 28	Oct 27	Oct 24	Oct 23	Oct 22	Oct 21	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	1,845.47	1,841.82	1,832.28	1,834.93	1,838.35	1,835.88	1919.71 (4/9/86)	1502.29 (22/1/86)	1917.71 (4/9/86)	41.22 (2/7/32)
Transport	834.25	827.63	825.00	828.38	818.75	817.83	836.13 (15/10/86)	686.97 (9/1/86)	830.94 (31/3/86)	12.32 (8/7/32)
Utilities	205.09	203.85	202.27	202.15	199.58	199.88	219.15 (20/8/86)	169.47 (22/1/86)	219.15 (20/8/86)	10.5 (8/4/34)
Trading vol		133.24m	137.24m	150.94m	113.89m	118.80m	—	—	—	—

	Oct 17	Oct 10	Oct 3	Year Ago (Approx)
Ind Div Yield %	3.73	3.82	3.36	4.50

STANDARD AND POORS

	Oct 28	Oct 27	Oct 24	Oct 23	Oct 22	Oct 21	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	265.23	264.80	264.43	265.70	262.10	261.70	282.24 (2/7)	224.88 (22/1)	282.24 (2/7/86)	3.62 (30/6/32)
Composite	238.25	238.77	238.26	238.28	236.26	235.88	255.3 (27/8)	203.49 (22/1)	253.3 (27/8)	4.40 (1/6/32)

	Oct 15	Oct 8	Sept 24	Year Ago (Approx)
Ind div yield %	3.87	3.88	3.80	3.76
Ind. P/E Ratio	17.88	16.94	16.89	12.64
Long Gov Bond Yield	—	—	7.79	10.35

N.Y.S.E. ALL COMMON

Oct 28	Oct 27	Oct 24	Oct 23	1986 High	1986 Low
137.89	137.58	137.28	137.76	145.75 (4/9)	117.75 (22/1)

RISES AND FALLS

	Oct 27	Oct 24	Oct 23
Issues traded	1,977	1,986	1,982
Rises	789	700	1,098
Falls	736	847	486
Unchanged	452	439	398

NYSE-Consolidated 1500 Actives

TORONTO

	Oct 28	Oct 27	Oct 24	Oct 23	1986 High	1986 Low
Metals & Minis	2,111.5*	2,111.90	2,112.69	2,114.7	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,014.3*	3,008.7	3,007.1	3,014.8	3,128.11 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1,527.77*	1,527.29	1,527.2	1,530.9	1,623.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

	Oct. 28	Oct. 27	Oct. 24	Oct. 23	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1357.5	1349.4	1352.6	1357.1	1372.8 (21/10)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	689.4	681.8	687.9	703.5	719.8 (21/10)	481.1 (20/1)
AUSTRIA Creditbk Aktien (30/12/64)	226.87	230.23	230.69	232.80	266.84 (23/4)	228.59 (5/8)
BELGIUM Brussel SE (1/1/64)	3857.38	3858.84	3840.21	3818.60	4034.35 (9/8)	2786.91 (15/1)
DENMARK Copenhagen SE (3/1/83)	(u)	189.08	189.72	190.35	250.79 (18/4)	189.29 (5/10)
FINLAND Unitas Genl. (1975)	(u)	397.8	397.8	399.8	417.7 (8/10)	258.5 (2/1)
FRANCE CAC General (31/12/82)	377.5	380.2	383.1	375.5	412.5 (1/8)	267.8 (2/1)
Ind Tendance (31/12/82)	144.1	144.7	146.2	144.7	158.9 (28/8)	101.5 (2/1)
GERMANY FAZ Aktien (31/12/58)	853.75	859.55	848.04	850.24	755.88 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	1854.5	1868.4	1838.4	1839.5	2278.3 (17/4)	1782.4 (22/7)
HONG KONG Hang Seng Bank (31/7/64)	2355.95	2286.07	(c)	2264.79	2355.95 (28/10)	1559.94 (19/5)
ITALY Banca Comm Ital. (1972)	755.87	765.88	769.78	778.49	988.28 (20/5)	454.67 (24/1)
JAPAN** Nikkei (16/5/49)	16597.8	16157.8	16284.0	16308.3	18936.2 (20/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1365.81	1345.84	1351.82	1362.02	1585.35 (20/8)	1025.85 (21/1)
NETHERLANDS ANP.CPS General (1970)	270.8	273.2	272.7	288.9	301.0 (5/8)	248.4 (5/5)
ANP.CBS Indust (1970)	271.6	274.6	272.9	269.7	305.9 (18/8)	254.0 (5/5)
NORWAY Oslo SE (4/1/83)	368.20	369.62	368.67	369.21	402.81 (16/1)	331.81 (4/8)
SINGAPORE Straits Times (30/12/66)	924.49	927.20	901.74	894.44	927.20 (27/10)	583.34 (28/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	1797.8	1856.0	1865.0	2061.8 (19/8)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1562.0	1574.0	1576.0	1392.8 (25/8)	1019.3 (2/1)
SPAIN Madrid SE (30/12/85)	184.05	188.61	191.89	191.80	200.79 (8/10)	100.85 (3/1)
SWEDEN Jacobson & P (31/12/56)	2546.79	2597.54	2529.06	2515.77	2820.62 (12/8)	1729.57 (29/1)
SWITZERLAND SwissBankCpn (31/12/58)	564.4	584.9	568.1	569.6	625.5 (8/1)	497.2 (4/8)
WORLD M.S. Capital Intl. (1/1/70)	—	360.4	329.9	355.9	368.6 (1/8)	249.6 (25/1)

** Saturday October 25: Japan Nikkei 16,163.8. TSE 1,343.64.

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

N. AMERICAN QUARTERLY RESULTS

Continued from Page 26

HOLIDAY CORPORATION
Hotels

Third quarter	1986 $	1985 $
Revenue	447.5m	489.5m
Net profits	35.4m	50.8m
Net per share	1.44	1.97
Nine months		
Revenue	1.26bn	1.36bn
Net profits	93.3m	116.7m
Net per share	3.89	4.07

E. F. HUTTON
Broking & investment banking

Third quarter	1986 $	1985 $
Revenue	848m	751m
Net profits	8.2m	6.7m
Net per share	0.26	0.25
Nine months		
Revenue	2.6bn	2.3bn
Net profits	43.6m	55.8m
Net per share	1.38	2.09

MAYTAG
Laundry & kitchen equipment

Third quarter	1986 $	1985 $
Revenue	467.8m	439.8m
Net profits	35.5m	32m
Net per share	0.82	0.74
Nine months		
Revenue	1.4bn	1.3bn
Net profits	85.9m	97.3m
Net per share	1.98	2.25

McDONALD'S
Fast food

Third quarter	1986 $	1985 $
Revenue	1.13bn	1.01bn
Net profits	142.29m	128.06m
Net per share	1.11	0.99
Nine months		
Revenue	3.15bn	2.78bn
Net profits	366.17m	329.51m
Net per share	2.84	2.53

MIDDLE SOUTH UTILITIES
Electric utility

Third quarter	1986 $	1985 $
Revenue	1.05bn	923.8m
Net profits	171.5m	148.1m
Net per share	0.84	0.72
Nine months		
Revenue	2.57bn	2.34bn
Net profits	389.5m	408.7m
Net per share	1.90	2.07

NATIONAL DISTILLERS & CHEMICAL
Chemicals, spirits, wines & metals

Third quarter	1986 $	1985 $
Revenue	541.8m	557.5m
Net profits	10.1m	17.9m
Net per share	0.27	0.52
Nine months		
Revenue	1.7bn	1.64bn
Op. net profits	42.3m	42.4m
Op. net per share	1.19	1.13

NEWMONT MINING
Copper non-ferrous metals

Third quarter	1986 $	1985 $
Revenue	200.9m	165.9m
Net profits	45.1m	6.5m
Net per share	1.51	0.21
Nine months		
Revenue	—	—
Net profits	*113.5m	27.4m
Net per share	3.84	0.90

* Includes $77 gain

NEW YORK TIMES
Media

Third quarter	1986 $	1985 $
Revenue	370.1m	334.2m
Net profits	26.7m	22.8m
Net per share	0.33	0.28
Nine months		
Revenue	1.15bn	1bn
Net profits	97.5m	86.1m
Net per share	1.20	1.07

OHIO EDISON
Electric utility

Third quarter	1986 $	1985 $
Revenue	434.1m	438.9m
Net profits	96.5m	90.5m
Net per share	0.57	0.58
Year		
Revenue	1.76bn	1.72bn
Net profits	389.2m	358.0m
Net per share	2.44	2.43

PENN CENTRAL
Energy, electronics equipment

Third quarter	1986 $	1985 $
Revenue	585.8m	570.4m
Net profits	16.1m	12.4m
Net per share	0.40	0.31
Nine months		
Revenue	1.77bn	1.86bn
Net profits	75.6m	83.6m
Net per share	1.88	2.08

PRIME COMPUTER
Small and medium computers

Third quarter	1986 $	1985 $
Revenue	221.9m	195.7m
Net profits	12.1m	15.2m
Net per share	0.25	0.32
Nine months		
Revenue	629.2m	559.8m
Net profits	32.8m	40.3m
Net per share	0.68	0.84

HOMESTAKE MINING
Gold, uranium

Third quarter	1986 $	1985 $
Revenue	81.7m	90.6m
Net profits	5.2m	2.7m
Net per share	0.10	0.06
Nine months		
Revenue	249.7m	258.0m
Net profits	10.8m	16.3m
Net per share	0.22	0.33

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Tr 11¾% '03-07	£107⅞	+ ⅜
AE	232	+13
Allied Lyons	306	+ 6
Barratt Dev	148	+ 5
Burtonwood	652	+32
Campari Intl.	80	+11
Central TV	403	+19
Elect Machine	68	+ 9
Fobel Int.	48	+ 9
Kennedy Brookes	270	+16
Mowlem (J)	349	+ 9
Osprey Comm	72	+11
Porter Chadburn	355	+17
Portsm & Sunder	151	+10
Quest Auto	75	+15
Thorpac	160	+49
Top Value	78	+10
Utd. Scient	149	+ 7
Yule Catto	243	+ 8

FALLS

Amstrad	113	− 4
BP	642	−11½
Cambridge Elec.	204	−13
Electrocom	359	−15
Lucas Inds.	446	− 8
Marks & Sp	195	− 5
Northern Foods	273	−12
Polly Peck Intl.	184	− 5
Prop. Hldg. & Inv.	170	− 8
Shell Trans	879	−15
Stothert & Pitt	95	−25

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 1/2	14 5/8	AAR s	.44	1.9	18	x136	23 5/8	23	23 5/8	+5/8
30	21 1/4	ADT	.92	3.6		111	25 7/8	25 3/8	25 3/8	-1/2
33	13 3/4	AFG s	.08	.3	15	124	30	29 7/8	29 5/8	+5/8
25 3/8	15 5/8	AGS			14	405	22 1/4	21 1/4	21 7/8	+3/4
15	8 1/2	AMCA				63	8 7/8	d 8 1/8	8 1/8	-5/8
62 1/8	38	AMR			14	4631	59	58 1/4	58 3/8	-1/4
24	19 3/8	ANR pf	2.12	8.8		7	24	24	24	+3/8
13 3/8	9 3/4	APL			6	165	12 3/4	12 1/4	12 1/4	-1/2
16 3/4	10	ARX	.71t	6.3	11	55	11 3/8	11 1/4	11 1/4	-1/8
41 1/2	26 3/4	ASA	2a	5.6		752	36 1/8	35 3/8	35 1/2	-7/8
18 3/8	9 3/4	AVX			30	53	10 1/2	10 3/8	10 1/2	
32	23 7/8	AZP	2.72	9.5	9	x747	28 3/4	28 1/2	28 1/2	-1/4
55	26	AbtLb s	.84	2.0	19	4774	44	42 7/8	43	-1
32	22 1/2	AccoWd	.56	2.2	17	25	25 7/8	25 5/8	25 7/8	+1/4
14 7/8	9	AcmeC	.40	3.7		90	11 1/8	10 5/8	10 7/8	-1/8
9 1/4	6 1/4	AcmeE	.32b	5.0	16	x1	6 3/8	6 3/8	6 3/8	+1/8
22 3/8	17 1/4	AdaEx	1.90e	8.8		156	21 3/4	21 5/8	21 5/8	
33 3/8	18 1/4	AdmMl	.40	1.6	12	30	25 3/8	25	25 3/8	+1/2
20 3/8	12 1/8	AdvSys	1.45t	10	13	807	14 1/4	14 1/8	14 1/8	-1/4
32 7/8	12 7/8	AMD				710	14 1/4	13 7/8	13 7/8	-1/2
12 3/8	5 5/8	Adobe n				707	5 1/2	d 5 1/4	5 1/4	-3/8
18 3/8	13 3/4	Adob pf	1.84	12.		7	15 1/8	15	15 1/8	+1/8
20 1/4	15 1/4	Adob pf	2.40	13.		2	17 7/8	17 7/8	17 7/8	-1/8
18 3/8	7 3/4	Advest	.12a	.9	10	427	13 1/4	13	13 1/8	
66 1/4	47 1/4	AetnLf	2.64	4.6	9	2393	57 1/4	56 3/8	56 7/8	-1/8
56 3/8	51 1/2	AetL pf	4.69e	8.8		472	53 1/4	53	53 1/4	+1/8
101 1/2	87 1/4	AetL pfC	5.29e	6.0		270	88 7/8	88 7/8	88 7/8	-1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18¼	4⅞	Patten s			24	340	u18⅝	17¾	18	+¼
19⅜	9½	PayNP .40		3.6	9	188	11⅝	11	11¼	−⅛
27½	13½	PayCsh .16		.9	14	3738	17¾	17⅝	17¾	+⅝
¾	7-32	Pengo				80	11-32	5-16	5-16	
62	48¾	PenCen			26	4102	u62½	59¼	60¼	
86¾	47½	Penney2.48		3.3	13	1112	76½	75½	75¾	+¼
43⅝	25½	PaPL	2.60	6.8	13	1691	38⅜	37¾	38¼	+⅜
53⅜	37	PaPL	pf4.40	8.5		z370	52	51½	52	+½
53⅜	37½	PaPL	pf4.50	8.8		z40	51	51	51	+½
100	71	PaPL	pf8.60	8.8		z50	98⅛	98⅛	98⅛	+⅛
30¼	26	PaPL	dpr2.90	9.8		10	29½	29⅜	29½	+⅛
98	69	PaPL	pr8.40	8.6		z970	u98⅛	94	98⅛	+5⅛
110½	89¼	PaPL	pr 11	10.		z100	108	108	108	+½
111½	103	PaPL	pr 13	12.		z30	107	107	107	−1
93	65¼	PaPL	pr 8	8.8		z500	91	91	91	−1½
98¾	70¼	PaPL	pr8.70	8.8		z1620	98⅝	98¼	98⅝	−⅜
59	36	Pennwlt 2.20		4.5	19	68	49	48⅜	48¾	+⅝
34¾	22¾	Pennw pr1.60		5.4		21	29½	29½	29½	
91	46¾	Pennzol2.20		3.1	41	3831	71½	69	71	+2
23¾	15⅝	PeopEnl.32		6.0	9	434	22¼	21⅞	22	
48¼	24¾	PepBoy .22		.5	32	137	42¾	42½	42½	−¼
35⅝	20⅝	PepsiCo .64		2.3	17	4876	28⅜	27⅞	28	
13⅛	12½	PerkF n				185	12⅞	12⅝	12⅝	−⅛
36⅞	23	PerkEl .60		2.3	17	1608	27	26⅝	26⅝	+¼
8	5¾	Prmian.72e		12.	6	296	6⅛	6¼	6¼	
20⅞	12⅞	PeryDr .22		1.6	16	225	13⅝	13¼	13⅝	−⅛
35¾	21¼	Petrie s .70		2.5	16	313	27¾	27½	27½	−⅛
31⅛	22¾	PetRs 3.51e		12.		121	30½	30	30¼	−¼

12 Month High	Low	Stock	Div.	Yld.	P/E
73⅝	44¾	SaraLe1.60		2.4	16
42¼	33⅝	SgtWel 1.60		3.8	17
19	16	SaulRE .20		1.1	46
23¼	9⅞	SavEP s .88		4.1	13
46¼	21	SavE .734		3.0	
14½	11	SavE pf1.28		9.5	
5⅞	1⅛	Savin			
42⅞	24⅝	SCANA2.24		5.8	13
88	48¼	SchrPlo1.80		2.2	21
37¾	27¼	Schlmb1.20		3.6	
14¾	8½	SciAtl .12		1.3	
66⅝	43¼	ScottP 1.36		2.1	19
18⅞	12½	Scotys .52		3.9	16
34¼	13⅝	SeaCnt .42		3.0	
14⅝	7¾	SeaCt pf1.46		17.	
16⅞	10½	SeaC pfB2.10		18.	
17	9¾	SeaC pfC2.10		18.	
51¼	35½	SeaC pfD4.12		12.	
4½	1¾	SeaCo			
64	37⅝	Seagrm 1		1.6	13
19⅝	12⅞	Seagul			
43¾	29⅛	SealAir .48		1.3	18
31¼	23⅝	SealPwr1.10		4.2	12
50⅜	33¼	Sears 1.76		4.1	12
107¾	102¼	Sear pf7.13e		6.8	
40¼	28⅝	SecPac1.48		4.1	8
37½	26⅝	SvcCp s .40		1.1	21
16⅝	3⅝	SvcRes			
28	13¼	Shaklee .72		3.1	20
28⅝	10⅝	Shawlns.40		2.9	12

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39	27	ZaleCp 1.40		4.3		40	32½	32¼	32½	+¼
9½	2⅝	Zapata .03j				257	2½	2⅝	2⅝	
43⅞	20¾	Zayre s .32		1.2	17	4027	26⅛	25¼	25⅝	−⅜
17	9¾	Zemex .40		3.4	12	52	12⅛	11⅝	11⅝	−⅝
29⅞	16¼	ZenithE				2204	21⅞	20⅞	21¼	+⅝
18¾	8	ZenLb s			12	612	8⅞	8¾	8⅞	+⅛
22⅝	12⅝	Zero s	.29	1.9	15	45	14⅞	14⅝	14⅞	
45¾	32¾	Zurnln 1.32		3.4	15	200	39	38¾	38¾	−⅛
10⅜	9⅞	Zweig n				558	10	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 45

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Takeovers continue to add spice

TAKEOVER and restructuring news – confirmed and rumoured – helped stock prices post modest gains on Wall Street yesterday morning but most of the improvement was given up in the afternoon when the bond market turned down, *writes Roderick Oram in New York*.

Bond prices fell when the Treasury's auction of seven-year notes resulted in higher yields than the markets had anticipated.

The Dow Jones industrial average closed up 3.65 points at 1,845.47 while the New York Stock Exchange Composite index gained 0.31 to 137.89. Trading volume edged ahead to 147.1m from 134.6m on Monday with advancing issues leading declining by 888 to 661.

Interest centred on companies which could bring a rapid appreciation for investors through a takeover or restructuring. The overall tone remains cautious with a broader advance being thwarted by a lack of stocks or sectors to lead the way.

Among blue chips, American Express fell $⅝ to $58⅝. IBM fell $1⅛ to $120⅝, McDonald's gained $⅜ to $61, Merck fell $¼ to $107⅞ and Procter and Gamble was unchanged at $73⅞.

Chevron, down $⅝ to $41⅝, joined the string of oil majors reporting a sharp deterioration in third-quarter performance with profits falling to 61 cents a share from 72 cents a year earlier. Exxon slipped $¼ to $66⅞, Texaco edged up $⅛ to $35⅞ while Phillips Petroleum was the third most active issue with more than 2.8m shares traded and the price easing by $⅛ to $9⅞.

Boeing fell $ 2⅝ to $52. Some analysts reduced their full year forecasts from, for example, $5.75 to $4.90 a share after Boeing announced a smaller than expected rise in third quarter profits to $1.01 a share from 85 cents.

Brokerage stocks were stronger following sharp profit increases at Merrill Lynch, up $1⅛ to $41⅞ and Paine Webber, up $⅜ to $35⅝. E. F. Hutton gained $⅜ to $47⅞ and A. G. Edwards rose $⅝ to $26⅝.

Quaker Oats soared $2⅝ to $81 on strong buy recommendations from brokers. Other food stocks were also stronger. Kellogg rose $1⅞ to $50⅝, Pillsbury advanced $⅝ to $74⅝, Borden rose $⅞ to $46⅞, General Mills was up $2 to $ 87 and Dart and Kraft gained $⅞ to $56⅞.

Kroger, the supermarket chain, advanced $1⅛ to $32⅞. It reported a third-quarter loss from continuing operations and the buy back of up to 5m shares.

Sears Roebuck, the largest US retailer edged up $⅝ to $42⅝.

On the takeover front, Goodyear remained the most active issue with more than 4.4m shares changing hands by early afternoon as the price slipped by $⅛ to $47⅝. No investor has come forward yet with a takeover or restructuring offer.

Other stocks buoyed by takeover or restructuring news or speculation included Borg-Warner, up $⅛ to $37⅞, Transworld ahead $1 to $41⅞, Federated Department Stores up $1⅝ at $96⅞, Lear Siegler up $2⅞ to $82 and W.R. Grace slipped $⅝ to $55⅞.

USX, whose board met yesterday to discuss restructuring proposals prompted by Mr Carl Icahn's $31 a share bid, gained $⅛ to $26⅝. The company, which also reported a third-quarter loss yesterday of $163m, indicated it was close to settling a long steelworkers' strike.

Credit markets were quiet as investors waited for the results at the end of the day of the auction of $7bn of seven-year Treasury notes. These brought an average yield of 7.21 per cent, down from 7.33 per cent at the previous seven-year note auction on June 25, and the lowest level since November 4, 1976.

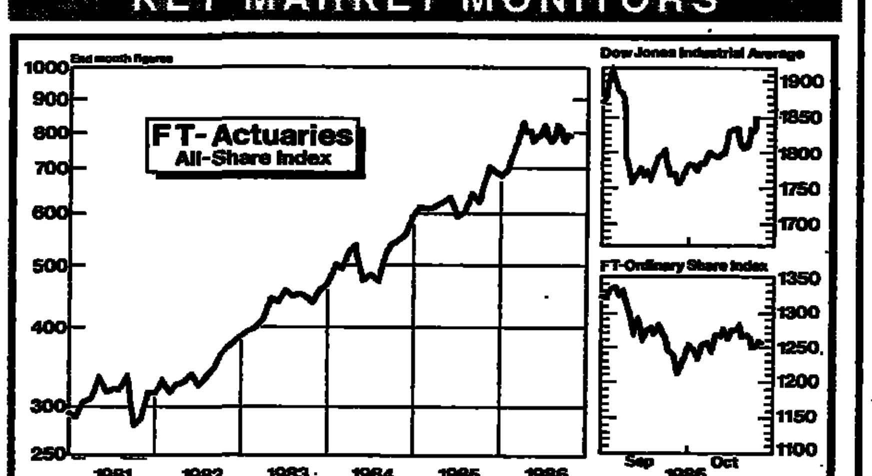
The yield was higher than expected which pushed down prices of other bonds. The 7.25 per cent Treasury long bond due 2016 fell ²⁹⁄₃₂ of a point to 94²⁹⁄₃₂ yielding 7.78 per cent. Three-month Treasury bills rose seven basis points to 5.23 per cent, six-month bills gained 11 basis points to 5.30 per cent and year bills rose four basis points to 5.48 per cent.

The Federal Reserve entered the market when the Fed funds rate stood at 5⁹⁄₁₆ to make $1.5bn of customer repurchases and the rate ended the day at 5⅝ per cent.

The outcome of the seven-year note auction may well indicate the tone for the market when the Treasury announces today the details of the quarterly refunding which will start next week. Foreign investor demand for the securities in both fund raisings is crucial to their success.

The weaker dollar was a negative influence on credit markets after its recent strength but on the positive side oil prices continued to slip.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 28	Previous	Year ago
DJ Industrials	1,845.47	1,841.82	1,359.99
DJ Transport	834.25	827.63	643.60
DJ Utilities	205.09	203.65	159.26
S&P Composite	239.26	238.77	187.76
LONDON			
FT Ord	1,255.6	1,257.8	1,061.3
FT-SE 100	1,583.6	1,586.2	1,347.8
FT-A All-share	786.97	787.88	674.63
FT-A 500	856.80	857.72	738.43
FT Gold mines	277.7	269.6	248.4
FT-A Long gilt	10.49	10.55	10.27
TOKYO			
Nikkei	16,223.09	16,157.80	12,937.0
Tokyo SE	1,365.81	1,345.94	1,020.90
AUSTRALIA			
All Ord.	1,357.5	1,349.4	1,045.8
Metals & Mins.	689.4	681.8	524.6
AUSTRIA			
Credit Aktien	228.97	230.23	196.68
BELGIUM			
Belgian SE	3,857.39	3,856.64	2,716.28
CANADA			
Toronto			
Metals & Minls	2,111.60*	2,111.90	1,761.00
Composite	3,014.3 *	3,009.7	2,637.2
Montreal			
Portfolio	1,527.77*	1,527.20	126.30
DENMARK			
SE	N/A	198.09	236.11
FRANCE			
CAC Gen	377.50	380.2	218.4
Ind. Tendance	144.10	144.7	79.5
WEST GERMANY			
FAZ-Aktien	653.73	659.60	574.90
Commerzbank	1,954.50	1,972.3	1,707.5
HONG KONG			
Hang Seng	2,355.93	2,343.66	1,651.25
ITALY			
Banca Comm.	755.97	765.86	404.18
NETHERLANDS			
ANP-CBS Gen	270.00	273.2	224.7
ANP-CBS Ind	271.60	274.6	204.5
NORWAY			
Oslo SE	358.20	369.62	381.23
SINGAPORE			
Straits Times	924.48	927.20	772.70
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,797.00	1,093.7
JSE Industrials	—	1,362.00	948.6
SPAIN			
Madrid SE	184.03	188.61	92.99
SWEDEN			
J & P	2,546.78	2,527.54	1,448.30
SWITZERLAND			
Swiss Bank Ind	564.40	564.8	501.2
WORLD	Oct 27	Previous	Year ago
MS Capital Int'l	330.40	329.9	228.8

COMMODITIES

(London)	Oct 28	Prev
Silver (spot fixing)	399.15p	400.35p
Copper (cash)	£923.00	£932.00
Coffee (Nov)	£2,387.50	£2,386.50
Oil (Brent blend)	$13.25	$13.55

GOLD (per ounce)

	Oct 28	Prev
London	$411.75	$409.75
Zürich	$410.55	$409.25
Paris (fixing)	$410.43	$408.15
Luxembourg	$410.50	$410.40
New York (Dec)	$413.90	$409.30

* Indicates latest pre-close figure

CURRENCIES

	US DOLLAR		STERLING	
(London)	Oct 28	Previous	Oct 28	Previous
$	–	–	1.4155	1.4070
DM	2.0390	2.0465	2.875	2.88
Yen	160.10	160.70	226.50	226.00
FFr	6.6475	6.6875	9.475	9.41
SFr	1.6765	1.6925	2.37125	2.3825
Guilder	2.2960	2.3135	3.2515	3.256
Lira	1,405.00	1,420.00	1,990.375	1,991.00
BFr	42.20	42.45	59.75	59.75
C$	1.3885	1.3925	1.9650	1.9525

INTEREST RATES

Euro-currencies	Oct 28	Prev
(3-month offered rate)		
£	11⅛	11⁵⁄₁₆
SFr	4⁷⁄₁₆	4⁷⁄₁₆
DM	4⅝	4½
FFr	7¹⁵⁄₁₆	8
FT London Interbank fixing		
(offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	5¹³⁄₁₆*	5¹³⁄₁₆
US 3-month CDs	5.70*	5.925
US 3-month T-bills	5.18*	5.32

US BONDS

Treasury		October 28*		Prev	
		Price	Yield	Price	Yield
6⅞	1988	100⅜₂	6.324	100⁴⁄₃₂	6.31
7¼	1993	100⅜₂	7.208	100⅜₂	.7.21
7⅜	1996	99²⁸⁄₃₂	7.407	99²⁹⁄₃₂	7.40
7¼	2016	94¹⁹⁄₃₂	7.719	94²⁸⁄₃₂	7.71

Source: Harris Trust Savings Bank

Treasury Index		Oct 28*		
Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	157.03	+0.01	7.07	+0.0
1–10	150.25	+0.02	6.73	+0.00
1– 3	140.98	+0.03	6.30	+0.00
3– 5	153.14	+0.04	6.87	+0.00
15–30	181.42	−0.04	8.20	+0.0

Source: Merrill Lynch

Corporate	October 28*		Prev	
	Price	Yield	Price	Yield
AT & T				
3⅞ July 1990	92.125	6.30	92.128	6.30
SCBT South Central				
10⅞ Jan 1993	107.25	9.367	107.25	9.343
Phibro-Sal				
8 April 1996	98.25	8.269	98.375	8.25
TRW				
8⅜ March 1996	102.25	8.394	102.125	8.414
Arco				
9⅞ March 2016	105.75	9.298	105.5	9.322
General Motors				
8⅛ April 2016	90.25	9.079	90	9.106
Citicorp				
9⅜ March 2016	97.25	9.656	97	9.682

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	96–17	96–25	94–09	96–19
US Treasury Bills (IMM)				
$1m points of 100%				
Dec	94.83	94.85	94.81	94.83
Certificates of Deposit (IMM)				
$1m points of 100%				
Sep	n/a	n/a	n/a	93.85
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	94.03	94.07	94.03	94.01
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	110–00	110–22	109–21	110–07

* Latest available figures

EUROPE

Isolated signs of life

ISOLATED CORPORATE news and rumours injected some life into otherwise listless European trading yesterday. Volume remained low.

Frankfurt finished quietly lower although the midsession calculation of the Commerzbank index reflected early unease falling 17.8 to 1,954.5.

Banks were at the heart of the downturn again as concern still surrounded the problems associated with the troubled Neue Heimat housing group currently attempting to restructure its debt.

Deutsche Bank suffered a DM 13 decline to DM 756, although Dresdner dropped a proportionately steeper DM 9 to DM 372.50. Commerzbank finished the day with a DM 6 fall to DM 296.

Among weaker car-makers, Daimler gave up DM 5 to DM 1,216 on speculation that it may be planning a capital increase. VW at DM 473 was DM 6 cheaper while BMW closed DM 7.50 off at DM 574.50.

The public offering by the Swiss pen group Pelikan, the first foreign-based company to undertake a share flotation in Germany, was oversubscribed and closed early. Dealers suggested that quotes of DM 750 were likely for the new shares, 400,000 of which were offered at DM 620 each.

The bond market firmed on short covering and in response to the higher overnight US credit markets. Prices rose by up to 45 basis points and the Bundesbank market balancing operations amounted to sales of DM 81.8m worth of domestic paper compared with purchases of DM 68.4m on Monday. The average yield on public authority paper slipped 1 basis point to 6.06 per cent.

Stockholm jumped to a record high on optimism over mediation attempts to settle the public sector strike. Institutional buying underpinned the late afternoon rally that took property, construction and industrial shares higher. The Veckans Affarer all share index peaked at 917.5, a rise of 8.8, on turnover of SKr 392m.

Electrolux, most active, jumped SKr 7 to SKr 325. Volvo at SKr 376 also gained SKr 7 while Astra inched SKr 3 ahead to SKr 528. Fermenta advanced SKr 3 to SKr 132 on strong analytic recommendations. Other pharmaceuticals fell: Pharmacia was off SKr 2 at SKr 186 and Asea was SKr 3 lower at SKr 352.

Brussels traded narrowly mixed in moderate volume as concern subsided over the government's handling of the long-running language crisis.

Insurer AG jumped a further BFr 1,000 to BFr 29,000. Wagons Lits gained BFr 120 to BFr 5,480.

Paris derived little benefit from the firmer overnight close on Wall Street and turned easier. Avions Dassault suffered a FFr 82 drop to FFr 1,180 followed by Matra's FFr 45 decline to FFr 2,150.

Among weaker chemicals, Sanofi lost FFr 31 to FFr 670 on lower first-half earnings. Foods, weak because of the lacklustre dollar, saw Moët Hennessy decline FFr 65 to FFr 2,200 and BSN retreat FFr 45 to FFr 4,150.

Milan turned lower in dull trading and **Amsterdam** lost ground with most attention focussed on only a few issues. **Zurich** was mixed in thin trading and **Madrid** suffered another sharp fall due to profit-taking.

TOKYO

Hindered by absence of institutions

A SHARP rally took place in Tokyo as investors selected domestic demand-related stocks, large-capital issues and blue chips, *writes Shigeo Nishiwaki of Jiji Press*.

In the first rally in four sessions, the Nikkei average gained 240.03 to 16,387.83. However, buying momentum was insufficient for a full-fledged recovery due to slow trading by institutional investors. Gains outpaced retreats 479 to 289, with 157 issues unchanged. Volume expanded from Monday's 184m shares, the second lowest this year, but was still low at 314m.

In the 12 sessions since mid-October, a gain was registered only once. Selling gradually decreased during the sessions, and when the Nikkei indicator lost 11 per cent by October 22, investors decided that prices had probably hit bottom.

When investment trusts and securities house dealers bought in small lots in the morning, individual investors followed, pushing up prices almost across the board. But because of uncertainty over interest rate and foreign exchange market movements, their buying was apparently designed to reap immediate capital gains by selecting issues which had declined sharply.

Brokerage houses said many institutional investors were planning to wait for the results of bidding for seven-year government bonds worth $7bn in the US on Tuesday.

Three issues related to the Tokyo Bay area redevelopment project advanced sharply. Nippon Kokan was most active with 22.97m shares, jumping Y26 to Y218, followed by Ishikawajima-Harima Industries with 20.40m, up Y41 to Y428, and Tokyo Gas with 19.76m, an increase of Y75 to Y895.

Other large-capital issues also firmed, with Mitsubishi Heavy Industries rising Y15 to Y440 and Kasawaki Steel Y16 to Y190. Tokyo Electric Power rose Y150 to Y6,700.

Among domestic-related stocks, general contractors drew buying. Taisei shot up Y57 to Y795, Obbayashi Y49 to Y774 and Kajima Y80 to Y1,090. Mitsubishi Estate closed Y100 higher at Y2,050.

In the bond market, selling continued for the benchmark 6.2 per cent government bond maturing in July 1995. Bond prices firmed in the morning, reflecting a drop in crude oil prices. But they turned easier later as the belief grew among investors that the Finance Ministry might not raise the coupon rate on long-term government bonds to be issued in November, commensurate with the prevailing market rates. Investors had been expecting until Monday that the ministry would raise the coupon from 5.1 per cent to 5.7 per cent.

The yield on the bellwether bond fell from 5.275 per cent on Monday to 5.260 per cent at one stage, but it recovered, reaching 5.300 per cent and finishing at 5.285 per cent.

SINGAPORE

INITIAL gains gave way to profit-taking in Singapore and widespread weakness by the end of the day left the Straits Times industrial index down 2.72 at 924.48. Turnover fell to 33.8m shares from the previous day's 35.7m.

Selangor Properties led the actives with a turnover of 1.5m shares and closed 6 cents lower at S$1.24.

Hotels, properties and commodities were also lower.

AUSTRALIA

PROSPECTS of firmer gold prices and scattered support for industrials led Sydney to close firmer in quiet trading and the All Ordinaries index ended 9.1 higher at 1,357.7.

Among miners WMC gained 7 cents to A$4.72, CRA 6 cents to A$7.66 and MIM 4 cents to A$2.50.

In golds Kidston and Kia Ora held steady at A$7.80 and 19 cents respectively.

BHP, nearing the expiration of its October options, was heavily traded and closed 8 cents lower at A$8.54. Elders IXL slipped 5 cents to A$4.65. Banks were strong.

CANADA

EARLY SESSION gains gave way to a mixed performance among major share groups in thin Toronto trading.

Industrials and golds helped the market higher against weakness in oils, metals and mines and utilities.

Among active industrials Continental Bank of Canada gained C$¼ to trade at C$17⅞, Canadian Pacific slipped C$⅝ to C$15⅝ and Dylex A gained C$⅝ to C$17⅞.

Montreal edged higher.

HONG KONG

LATE profit-taking took Hong Kong share prices down from the day's highs but the Hang Seng index still managed to rise 12.27 to close at a record 2,355.93.

Overseas investors continued to dictate the market's pace although some domestic fund managers were also active sellers.

The market opened sharply higher following Henderson Land's report of almost doubled profits and the group itself ended 7½ cents higher at HK$3.87½ after a high of HK$4.

Hutchison Whampoa put on 50 cents to HK$44.25, Cheung Kong rose 25 cents to HK$34.25 while Hongkong Land gained 5 cents to HK$6.35.

In banks Hang Seng advanced 25 cents to HK$35.50 while Hongkong Bank held steady at HK$8.30.

The market remains bullish, brokers said, despite the fact that there have been no fresh factors since last week's news of a HK$1.6bn trade surplus for September.

LONDON

DAY TWO of the post-Big Bang era began more confidently but was marred by a 30 minute breakdown of the Topic electronic reporting network. Gilts closed firmer while equity leaders were slightly easier in moderate trading and the FT Ordinary index ended 2.2 lower at 1,255.6. The more broadly-based FT-SE dropped 2.6 to 1,583.6.

Government bonds opened firmly, to close with net gains extending to ⅝.

An outstanding feature in equities was Sears, with 10m shares traded as the market looked for confirmation of rumours of an impending bid. With Turner & Newall cleared to rebid – if it wants to – AE came back to trade 13p higher at 232p, against the 240p cash previously offered by Turner.

Chief price changes, Page 45; Details, Page 44; Share information service, Page 42, 43.

SOUTH AFRICA

THE ABSENCE of any clear trend after the previous session's steep falls saw gold shares close mixed to firmer in Johannesburg, while industrials were mostly unchanged. Mining financials were mainly easier.

Among mines Gold Fields slipped R1 to R53 while Driefontein eased 25 cents to R68.75. Buffels held steady at R83.75.

Diamond share De Beers dropped R1 to R34 while platinums saw Rustenburg 75 cents lower at R48.50.